CALTEX AUSTRALIA LIMITED
ACN 004 201 307

LEVEL 24, 2 MARKET STREET
SYDNEY NSW 2000 AUSTRALIA

23 February 2015

Company Announcements Office
Australian Securities Exchange

CALTEX AUSTRALIA LIMITED

2014 RESULTS FOR ANNOUNCEMENT TO THE MARKET

2014 PRELIMINARY FINAL REPORT AND 2014 FINANCIAL REPORT

Caltex Australia Limited attaches the 2014 Preliminary Final Report for the year ended 31 December 2014 for immediate release to the market.

The 2014 Preliminary Final Report includes the information set out in Appendix 4E (under ASX Listing Rule 4.3A) and incorporates the 2014 Financial Report (under the *Corporations Act*).

Peter Lim
Company Secretary

Phone: **(02) 9250 5562 / 0414 815 732**

Attach.

CALTEX AUSTRALIA LIMITED

ACN 004 201 307

2014 PRELIMINARY FINAL REPORT

RESULTS FOR ANNOUNCEMENT TO THE MARKET

ANNUAL INFORMATION GIVEN TO THE ASX
UNDER LISTING RULE 4.3A

CALTEX AUSTRALIA LIMITED
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SYDNEY NSW 2000 AUSTRALIA

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Results for announcement to the market

Key results (millions of dollars)			Year ended 31 December	
			2014	2013
Revenue from ordinary activities	↓	2%	24,231	24,676
Profit from ordinary activities after tax/net profit for the period attributable to members:				
Historical cost basis	↓	96%	20	530
Replacement cost basis[1] (excluding significant items)	↑	48%	493	332

Dividend	2014	2013
Dividends declared:		
Interim dividend:		
- Amount per security (fully franked)	20c	17c
Final dividend:		
- Amount per security (fully franked)	50c	17c
Record date for determining entitlement to 2014 final dividend		10 March 2015
Date 2014 final dividend is payable		2 April 2015

Comments

- On an historic cost profit basis, Caltex recorded an after tax profit of $20 million for the 2014 full year, including a loss relating to significant items of $112 million after tax. This compares with the 2013 full year profit of $530 million, which included a significant gain of $26 million after tax, dominated by profit on the sale of the Sydney bitumen business. The 2014 result includes a product and crude oil inventory loss of $361 million after tax. This is significantly higher than forecast in Caltex's profit outlook statement on 11 December 2014 ($250 million after tax) due to the continuing sharp fall in crude oil prices since that announcement. The 2014 total inventory loss of $361 million compares with an inventory gain of $172 million after tax in 2013.

- On an RCOP[1] basis, Caltex recorded an after tax profit for the 2014 full year of $493 million, excluding significant items. This compares with an RCOP after tax profit of $332 million for the 2013 full year, excluding significant items.

- The overall result reflects another record Marketing profit and the impact of favourable externalities, which have benefitted the Supply Chain result. An excellent operational performance enabled the Lytton refinery to take advantage of the strong external environment, with record production of transport fuels.

- Marketing delivered an EBIT of $812 million, up approximately 6% on a record 2013 result ($764 million). This strong result was achieved despite the loss of earnings from the Sydney bitumen business which was divested in December 2013.

1. Replacement cost of sales operating profit (RCOP) excluding significant items (on a pre- and post-tax basis) is a non-International Financial Reporting Standards (IFRS) measure. It is derived from the statutory profit adjusted for inventory gains/(losses), as management believes this presents a clearer picture of the company's underlying business performance, as it is consistent with the basis of reporting commonly used within the global refineries industry. This is unaudited. RCOP excludes the impact of the fall or rise in oil prices (a key external factor) and presents a clearer picture of the company's underlying business performance. It is calculated by restating the cost of sales using the replacement cost of goods sold rather than the historical cost, including the effect of contract based revenue lags.
2. Additional Appendix 4E disclosure requirements can be found in the Directors' Report and the 31 December 2014 financial report.

Results for announcement to the market (continued)

Comments (continued)

- Marketing continues to focus on its core strategy of driving sales of premium fuels (including Vortex Diesel). Higher sales of premium grades of petrol and diesel, and jet fuel, continue to offset the long term decline in demand for unleaded petrol, including E10. The increased penetration of premium Vortex products has been underpinned by continued investment in new retail service stations and diesel stops, and the refurbishment of existing service stations.

- Recent acquisitions, such as the Queensland Fuel Group in 2013 and the Scott's Fuel Divisions, which was completed in June 2014, have also contributed to the strong Marketing result.

- Supply Chain generated an EBIT contribution of $64 million for the 2014 full year. This compares with an EBIT loss of $171 million for 2013, and a 2014 first half loss of $65 million. The 2014 result has benefitted from the impact of favourable externalities, particularly in the fourth quarter of the year. A strong operating performance by the Lytton refinery enabled the refinery to take advantage of these favourable conditions.

- As previously announced, the Kurnell refinery was successfully shut down and terminal operations commenced in October, a significant milestone in the $270 million project to convert the historic refinery site to Australia's largest fuel import terminal. The project remains on-time and on-budget with modest capex (around $50 million) remaining to be spent in 2015. The Kurnell refinery generated a 2014 operating EBIT loss of $69 million in the period prior to closure

- The realised Caltex Refiner Margin[3] (CRM) averaged approximately US$12.42/bbl for the 2014 full year. The strong July to December 2014 average CRM of US$16.38/bbl compares favourably with the 2014 first half (US$9.20/bbl) and the 2013 full year (US$9.34/bbl). The sharp decline in Brent crude oil prices towards year end was a major contributor to the stronger refiner margin in the second half as product prices have not fallen as quickly as the crude price (increasing the 7 day lag, whilst reducing the refining yield loss).

- On 1 August 2014 the company changed its policy of hedging outstanding US dollar payables from 50% to 80%. This has mitigated the impact of the falling Australian dollar on US dollar payables, with a resulting net loss in 2014 on US dollar payables of approximately $26 million (before tax). Conversely, a lower Australian dollar has a favourable impact on the Australian dollar denominated refiner margin.

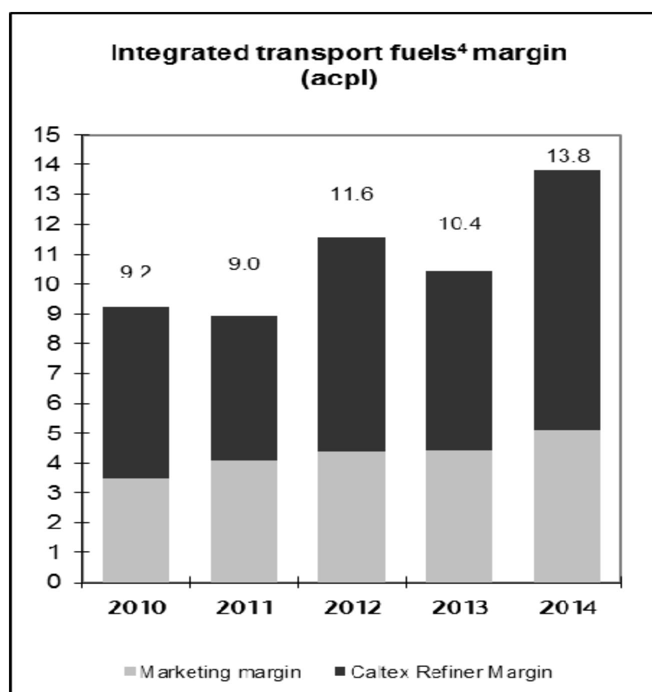
- Net debt at 31 December 2014 was $639 million, compared with $827 million at 30 June 2014 and $742 million at 31 December 2013. The lower debt reflects lower working capital levels following the closure of the Kurnell refinery, as well as the favourable impact of the lower crude price.

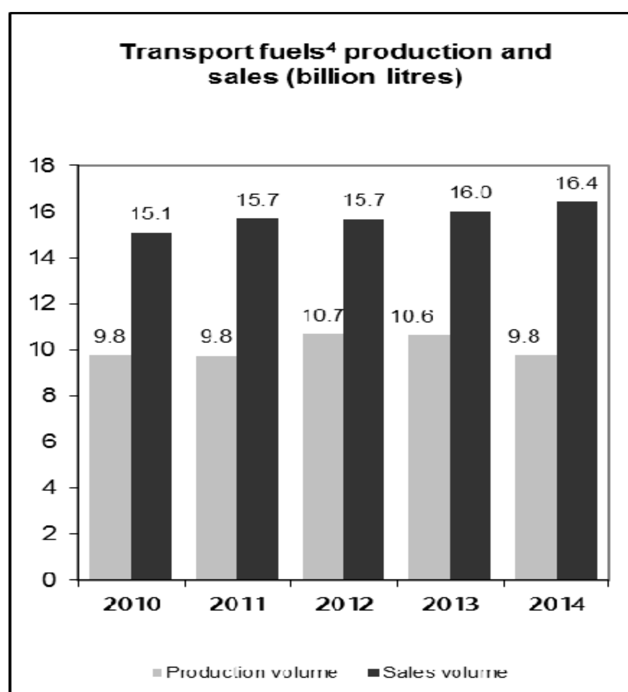
- The Board has declared a final fully franked dividend of 50 cents per share (fully franked) for the second half of 2014. Combined with the interim dividend of 20 cents per share for the first half, paid in October 2014, this equates to a total dividend of 70 cents per share for 2014, fully franked. This compares with a total dividend payout of 34 cents per share (fully franked) for 2013. Following the successful closure of the Kurnell refinery, the Board has announced today the reinstatement of a target dividend payout ratio of 40-60% of RCOP NPAT.

3. 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.

Key performance indicators

	Year ended 31 December				
	2014	2013	2012	2011	2010
Profit/(loss) before interest and tax ($m)					
- Historical cost basis (including significant items)	139	826	183	(954)	499
- Historical cost basis (excluding significant items)[1]	279	798	624	640	522
- Replacement cost basis (excluding significant items)	795	551	756	442	500
Profit/(loss) after interest and tax ($m)					
- Historical cost basis (including significant items)	20	530	57	(714)	317
- Historical cost basis (excluding significant items)[1]	132	504	366	402	333
- Replacement cost basis (excluding significant items)	493	332	458	264	318
Inventory (losses)gains before tax ($m)	(516)	246	(132)	197	21
Basic earnings/(loss) per share (cents)					
- Historical cost basis (including significant items)	7	196	21	(264)	117
- Replacement cost basis (excluding significant items)	183	123	170	98	118
Return on equity attributable to members of the parent entity after tax (%)					
- Historical cost basis (including significant items)[2]	1	20	3	(32)	10
- Replacement cost basis (excluding significant items)[2]	20	13	21	12	10
Net tangible asset backing per share ($)[3]	8.64	9.05	7.55	7.82	11.08
Net debt ($m)	639	742	740	617	544
Gearing (net debt to net debt plus equity) (%)	20	22	26	22	15





1. Historical cost basis excluding significant items (on a pre- and post-tax basis) is a non-International Financial Reporting Standards (IFRS) measure. It is derived from the statutory profit/(loss) adjusted for significant items relating to asset impairment, restructuring, redundancy and other related costs (refer to note 3 of the Financial Report for details of these items). Significant items are events that management and the Board consider to be outside the scope of usual business. These are excluded to give a truer reflection of underlying financial performance from one period to the next. This is unaudited.
2. This is a non-IFRS unaudited measure that management and the Board consider key for users of the financial statements.
3. Net tangible asset backing per share is derived by dividing net tangible assets by the number of shares issued. 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 (2013: 270 million).
4. Transport fuels comprise unleaded petrol, diesel and jet. Note that the transport fuels marketing margin applies to total transport fuels sales, whereas the CRM applies only to sales from production.

2014 FINANCIAL REPORT

FOR

CALTEX AUSTRALIA LIMITED

ACN 004 201 307

The 2014 Financial Report for Caltex Australia Limited includes:

- Directors' Report
- Lead Auditor's Independence Declaration
- Directors' Declaration
- Independent Audit Report
- Consolidated Income Statement
- Consolidated Statement of Comprehensive Income
- Consolidated Balance Sheet
- Consolidated Statement of Changes in Equity
- Consolidated Cash Flow Statement
- Notes to the Financial Statements

for the year ended 31 December 2014.

Caltex Australia Group

For the purposes of this report, the Caltex Group (the Group) refers to:

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

Please note that "Caltex" has the same meaning in this report as the Caltex Group, unless the context requires otherwise.

Directors' Report

Introduction

The Board of Caltex Australia Limited presents the 2014 Directors' Report (including the Remuneration Report) and the 2014 Financial Report for Caltex Australia Limited and its controlled entities (the Group) for the year ended 31 December 2014 to shareholders. An Independent Audit Report from KPMG, as external auditor, is also provided.

Board of directors

The Board of Caltex Australia Limited comprises Elizabeth Bryan (Chairman), Julian Segal (Managing Director & CEO), Trevor Bourne, Richard Brown, Barbara Burger, Greig Gailey, Ryan Krogmeier and Bruce Morgan.

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

Board profiles

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

Ms Bryan brings management, strategic and financial expertise to the Caltex Board. She has over 32 years of experience in the financial services industry, government policy and administration, and on the boards of companies and statutory organisations. Prior to becoming a professional director, she served for six years as Managing Director of Deutsche Asset Management and its predecessor organisation, NSW State Superannuation Investment and Management Corporation.

Ms Bryan is a director of Insurance Australia Group Limited (appointed December 2014) and Westpac Banking Corporation (appointed November 2006). She is a member of the Australian Securities and Investment Commission's Director Advisory Panel and the Takeovers Panel, and serves as a trustee of the Museum of Applied Arts and Sciences.

Ms Bryan holds a Bachelor of Arts (Economics) from the Australian National University and a Master of Arts (Economics) from the University of Hawaii (US).

Julian Segal	Managing Director & CEO
Date of appointment:	1 July 2009

Mr Segal joined Caltex from Incitec Pivot Limited, a leading global chemicals company, where he served as the Managing Director & CEO from June 2005 to May 2009. Prior to Incitec Pivot, Mr Segal spent six years at Orica in a number of senior management positions, including Manager of Strategic Market Planning, General Manager – Australia / Asia Mining Services, and Senior Vice President - Marketing for Orica Mining Services.

Mr Segal is a director of the Australian Institute of Petroleum Limited (appointed 1 July 2009).

Mr Segal holds a Bachelor of Science (Chemical Engineering) from the Israel Institute of Technology and a Master of Business Administration from the Macquarie Graduate School of Management.

Board profiles (continued)

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

Mr Bourne brings to the Board broad management experience in industrial and capital intensive industries, and a background in engineering and supply chain. From 1999 to 2003, he served as CEO of Tenix Investments. Prior to Tenix, Mr Bourne spent 15 years at Brambles Industries, including six years as Managing Director of Brambles Australasia. He has also previously worked for Incitec Pivot and BHP.

Mr Bourne is a director of Senex Energy Limited (appointed December 2014) and Sydney Water Corporation (appointed February 2014). He was previously a director of Origin Energy Limited (from February 2000 to November 2012) and formerly Chairman of Hastie Group Limited (where he served as a director from February 2005 until February 2012).

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

Richard Brown	Director (Non-executive)
Date of appointment:	28 June 2012
Board committees:	Nomination Committee

Mr Brown brings to the Board over 30 years of oil industry experience with Chevron and substantial financial and management expertise. He is currently Chevron's Regional Finance Officer – Asia Pacific, based in Singapore. He is responsible for financial and management reporting, credit approval, local cash management, tax matters and risk management for Chevron's operations in the Asia Pacific region. Prior to this role, Mr Brown served as Chevron's General Manager – Finance for Europe, Eurasia and Middle East Opco.

Mr Brown holds a Bachelor of Arts (Economics) from the University of Warwick (UK).

Barbara Burger	Director (Non-executive)
Date of appointment:	28 June 2012
Board committees:	OHS & Environmental Risk Committee and Nomination Committee

Ms Burger brings to the Board extensive experience in marketing, manufacturing and supply chain management. She has worked for Chevron for over 25 years and is currently the President of Chevron Technology Ventures (CTV), based in Houston, Texas. CTV champions innovation, commercialisation and integration of emerging technologies and related new business models within Chevron; its business units include advanced biofuels, emerging energy technology and venture capital. Prior to this role, Ms Burger was the Vice President – Lubricants Supply Chain and Base Oil for Chevron Lubricants.

Ms Burger holds a Bachelor of Science (Chemistry) from the University of Rochester (US), a Doctor of Philosophy (Chemistry) from the California Institute of Technology (US) and a Master of Business Administration (Finance) from the University of California (US).

Board profiles (continued)

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

Mr Gailey brings to the Board extensive Australian and international oil industry experience, and broad management expertise from industrial and capital intensive industries. 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. Mr Gailey was subsequently appointed CEO of Fletcher Challenge Energy (New Zealand), a position he held from 1998 to 2001. In August 2001, he joined Pasminco Limited as CEO. Pasminco relisted on the ASX as Zinifex Limited in April 2004, and Mr Gailey became Managing Director & CEO of Zinifex Limited from that date until standing down in June 2007.

Mr Gailey is Chairman of ConnectEast, Deputy Chairman of the Victorian Opera Company and a director of the Australian Advisory Board of Canada Steamships. Mr Gailey was previously President of the Business Council of Australia (from 2007 to 2009).

Mr Gailey holds a Bachelor of Economics from the University of Queensland.

Mr Ryan Krogmeier	Director (Non-executive)
Date of appointment:	30 March 2012
Board committees:	Human Resources Committee and Nomination Committee

Mr Krogmeier brings to the Board considerable experience in the oil and gas industry, particularly in the areas of crude and products supply and trading, risk management and financial operations. He is currently the Global Vice President of International Products, Joint Ventures and Affiliates for Chevron. Mr Krogmeier is based in Singapore and has over 20 years of experience working for Chevron. Previously, he was the Vice President - Americas East, Caribbean and Latin America for Chevron, a role in which he was responsible for strategy and profits for Chevron's downstream fuels business in those regions.

Mr Krogmeier is a director of GS Caltex Corporation (Korea), Star Petroleum Refining Co Ltd (Thailand) and Singapore Refining Company Pte Ltd (Singapore).

Mr Krogmeier holds a Bachelor of Business Administration (Accounting) from the University of Iowa (US) and a Master of Business Administration from the University of California (US).

Mr Bruce Morgan	Director (Non-executive/Independent)
Date of appointment:	29 June 2013
Board committees:	Audit Committee (Chairman), Human Resources Committee, Nomination Committee and OHS & Environmental Risk Committee

Mr Morgan brings to the Board expertise in accounting, business advisory services, risk and general management. He was a partner with professional services firm PricewaterhouseCoopers (PwC) for over 25 years, where he practised as an audit partner with a focus on the energy and mining sectors. He was previously Chairman of the PwC Board and a member of the PwC Global Board. Prior to that, he was managing partner of PwC's Sydney and Brisbane offices.

Mr Morgan is the Chairman of Sydney Water Corporation and a director of Origin Energy Limited (appointed November 2012), the University of NSW Foundation, the European Australian Business Council and Redkite.

He is a Fellow of the Australian Institute of Company Directors and Chartered Accountants Australia and New Zealand, and holds a Bachelor of Commerce (Accounting and Finance) from the University of NSW.

Operating and financial review

The purpose of the operating and financial review (OFR) is to enhance the periodic financial reporting and provide shareholders with additional information regarding the Group’s operations, financial position, business strategies and prospects. The review complements the financial report on pages 60 to 108.

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

Company overview

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

Caltex is one of Australia's leading transport fuel suppliers and convenience retailers and is listed on the Australian Securities Exchange. Caltex has a major shareholder, Chevron, which holds 50% of the company’s ordinary shares. Caltex operates independently of Chevron, and all decisions are made in Australia by the Caltex Board and management. The head office is based in Sydney, and Caltex has over 3,000 employees working across the country. Caltex operates its business as one integrated value chain and incorporates operational excellence principles throughout supply, refining, logistics and marketing.

The principal activities of Caltex during the year were the purchase, refining, distribution and marketing of petroleum products and the operation of convenience stores throughout Australia. Aside from those discussed below, there were no significant changes in the nature of Caltex’s principal activities or in the state of affairs during the financial year.

During 2014, Caltex operated two oil refineries – Kurnell refinery in Sydney and Lytton refinery in Brisbane – producing petrol, diesel and jet fuel, along with small amounts of fuel oil and specialty products, liquid petroleum gas (LPG) and other gases. As announced in July 2012, after extensive evaluation of its business, Caltex outlined plans to rebalance its supply chain, including the closure of the Kurnell refinery in Sydney, New South Wales. October 2014 saw the successful shutdown of the last of the Kurnell refinery’s process units and the commencement of operations of the new Kurnell terminal, which is Australia’s largest fuel import terminal. The purpose of the project was to enable continued and reliable supply of transport fuels to Caltex customers, while stemming Kurnell refinery operating losses and reducing our exposure to volatile refining margins.

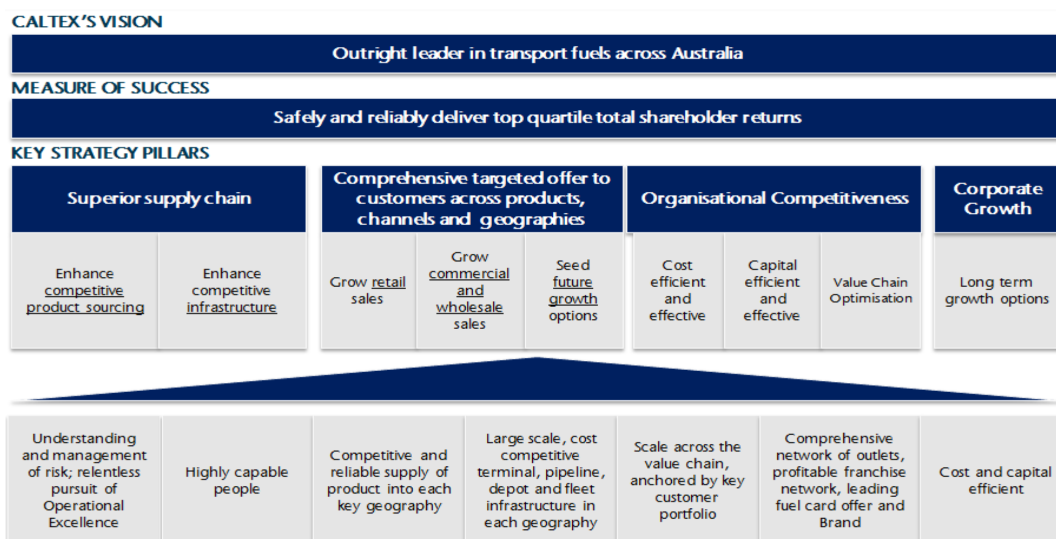
Caltex also buys refined products on the open market both overseas and locally, and along with the products that Caltex refines, Caltex markets these products across retail and commercial channels. These products are supplied to customers via a network of pipelines, terminals, depots and company-owned and contracted transport fleets.

Group strategy

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

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

1. Superior supply chain
2. Comprehensive targeted offer to customers
3. Organisational competiveness
4. Corporate growth



In 2011, the articulation of Caltex's vision – to be the outright leader in transport fuels across Australia – became a catalyst for change. Since then, this vision as measured by top quartile total shareholder returns, has driven rapid and significant change at Caltex. It was this clear vision and an effective culture that have enabled Caltex to confidently embark on its transformation path, including the supply chain restructure announced in 2012.

The major components of the supply chain restructuring include:

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

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

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

During 2014, Caltex has undertaken a company-wide cost and efficiency review to give it the financial strength to maintain its marketing leadership position and to enable Caltex to capture future growth opportunities. Caltex intends to accelerate the pursuit of strategic growth initiatives in order to deliver on its target of delivering top quartile total shareholder returns, whilst ensuring a capital structure that is consistent with a stable investment grade credit rating. Caltex will continue to take a disciplined approach to capital management, and our target balance sheet settings will ensure that the company retains financial flexibility to take advantage of opportunities as they arise.

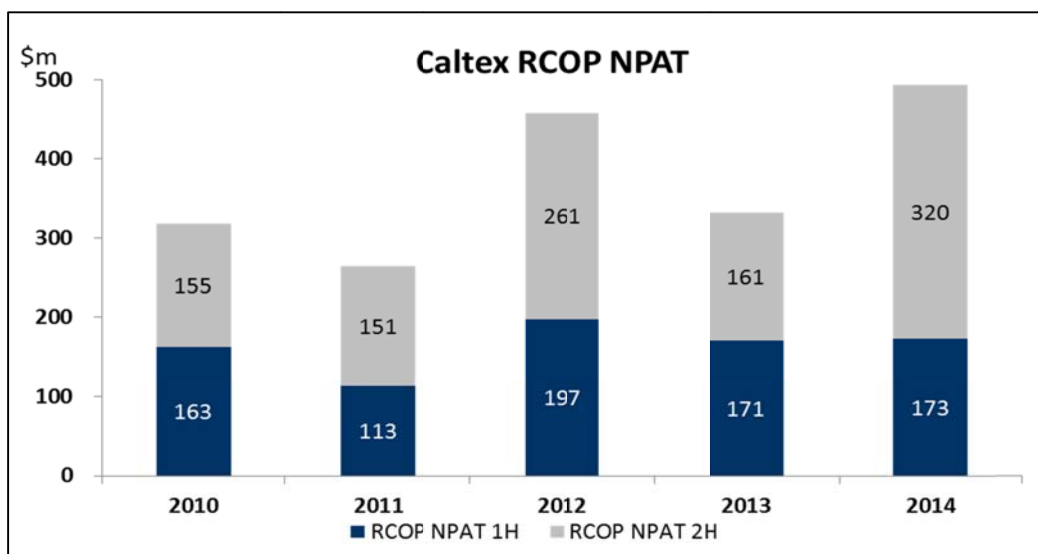
Caltex's measure of success continues to be to safely and reliably deliver top quartile total shareholder returns.

Caltex Group results 31 December 2014

On an historic cost profit basis, Caltex recorded an after tax profit of $20 million for the 2014 full year, including a loss relating to significant items of $112 million after tax. This compares with the 2013 full year profit of $530 million, which included a significant gain of $26 million after tax, dominated by profit on the sale of the Sydney bitumen business. The 2014 result includes a product and crude oil inventory loss of $361 million after tax. The 2014 total inventory loss of $361 million compares with an inventory gain of $172 million after tax in 2013.

On an RCOP[1] basis, Caltex recorded an after tax profit for the 2014 full year of $493 million, excluding significant items. This compares with an RCOP after tax profit of $332 million for the 2013 full year, excluding significant items.

The overall result reflects another record Marketing profit and the impact of favourable externalities, which have benefitted the Supply Chain result. An excellent operational performance enabled the Lytton refinery to take advantage of the strong external environment, with record production of transport fuels.



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

Reconciliation of the underlying result to statutory result	2014 $m (after tax)	2013 $m (after tax)
Net profit attributable to equity holders of the parent entity	20	530
Deduct/add: Significant items loss/(gain)	112	(26)
Deduct/add: Inventory loss/(inventory gain)	361	(172)
RCOP NPAT (excluding significant items)	**493**	**332**

Dividend

The Board has declared a final fully franked dividend of 50 cents per share (fully franked) for the second half of 2014. Combined with the interim dividend of 20 cents per share for the first half, paid in October 2014, this equates to a total dividend of 50 cents per share for 2014, fully franked. This compares with a total dividend payout of 34 cents per share (fully franked) for 2013. Following the successful closure of the Kurnell refinery, the Board has announced today the reinstatement of a target dividend payout ratio of 40-60% of RCOP NPAT.

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

Income statement

	For the year ended 31 December 2014	2014 $m	2013 $m
1.	Total revenue[1]	24,232	24,682
2.	Total expenses[2]	(23,437)	(24,131)
	Replacement cost earnings before interest and tax	**795**	**551**
	Finance income	8	9
	Finance expenses[3]	(99)	(98)
3.	**Net finance costs**	**(91)**	**(89)**
	Income tax expense[4]	(211)	(130)
	Replacement cost of sales operating profit (RCOP)	**493**	**332**
4.	Significant items (loss)/gain after tax	(112)	26
5.	Inventory (loss)/gain after tax	(361)	172
	Historical cost net profit after tax	**20**	**530**
	Interim dividend per share	20c	17c
	Final dividend per share	50c	17c
	Basic earnings per share		
	- Replacement cost (excluding significant items)	183c	123c
	- Historical cost (including significant items)	7c	196c

Discussion and analysis – Income statement		
1.	**Total revenue** Total revenue decreased primarily due to: - lower fuel sales volumes than in the prior period (2014: 20.4 billion litres vs. 2013: 21.2 billion litres), and - the decline in crude prices, which resulted in lower sales revenue.	↓ 2%
2.	**Total expenses – replacement cost basis** Total expenses decreased primarily as a result of lower replacement costs of goods sold resulting from lower sales volumes and crude prices.	↓ 3%

[1] Includes other income of $1 million (2013: $45 million) and excludes significant item gain of nil (2013: $39 million).
[2] Excludes significant item loss of $140 million (2013: $11 million).
[3] Excludes significant item loss of $20 million (2013: nil).
[4] Excludes tax benefit on inventory loss of $155 million (2013: $74 million tax expense) and excludes tax expense on significant items of $48 million (2013: $2 million tax benefit).

Income statement (continued)

RCOP EBIT breakdown[1]

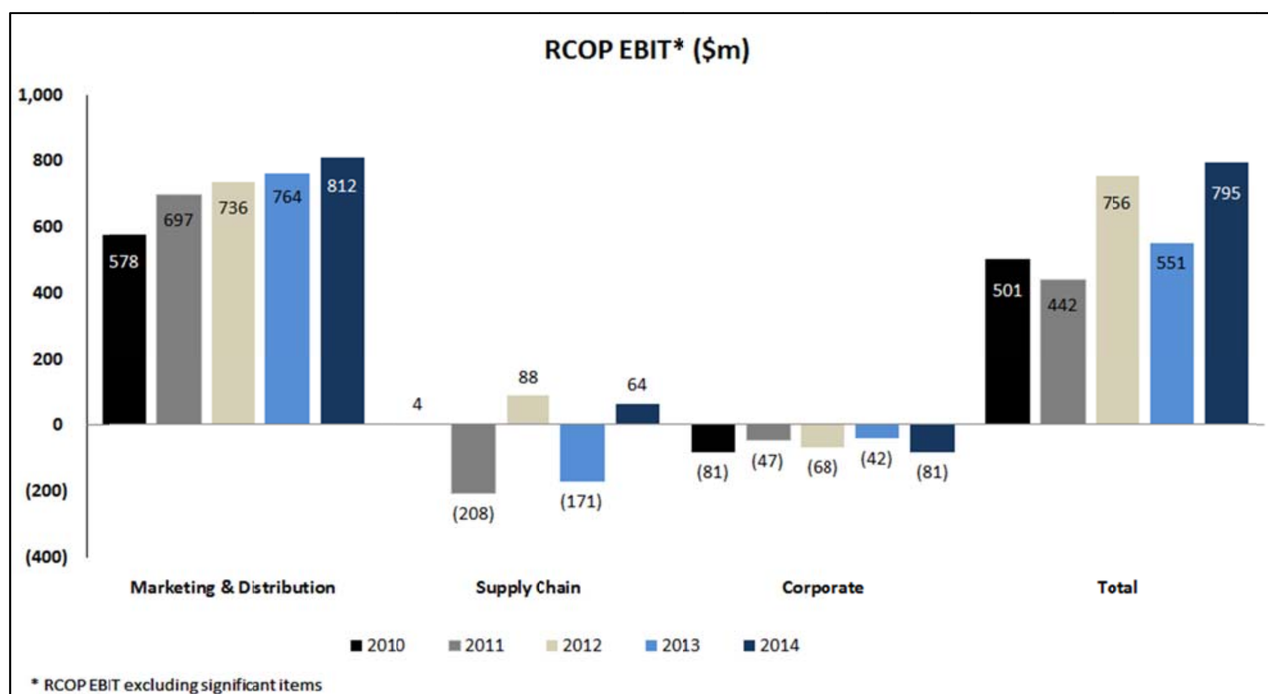
Caltex Refiner Margin (CRM) CRM represents the difference between the cost of importing a standard Caltex basket of products to eastern Australia and the cost of importing the crude oil required to make that product basket. The CRM calculation basically represents: average Singapore refiner margin + product quality premium + crude discount/(premium) + product freight - crude freight - yield loss. US dollar CRM was higher in 2014 at US$12.42/bbl, compared with US$9.34/bbl for 2013. In AUD terms, the CRM was 8.70 Australian cents per litre in 2014, compared with 6.01 Australian cents per litre in 2013. Total refinery production in 2014 of all products was 10.2 billion litres compared with 11.4 billion litres in 2013, reflecting the closure of the Kurnell Refinery and its conversion to terminal operations in October 2014.	**$876m**
Transport fuels marketing margin 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. Transport fuel sales have increased, with volume growth across both commercial and retail segments. Falling product prices in late 2014 supported transport fuels margins. Premium fuel sales were 4.3 billion litres in 2014, compared with 3.4 billion litres in 2013. Caltex's overall transport fuel sales volumes grew 3% compared to the prior year. Retail diesel margins have continued to grow strongly, driven by the premium diesel product, Vortex Diesel, and as a result of growth in the diesel vehicle market. Diesel fuel volumes increased approximately 6%, driven by premium fuels growth which increased approximately 49%. Overall petrol volumes decreased approximately 1%, in line with the market. However, premium petrol sales volumes continue to grow, with Vortex Premium Unleaded sales volumes increasing 4%. Jet fuel volumes increased approximately 3%.	**$839m**
Lubricants and specialties margin Lubricants and specialties products include finished lubricants, base oils, liquefied petroleum gas, petrochemicals, wax and marine fuels. Specialty products fell in 2014, mainly driven by the sale of the bitumen business in 2H13. Lubricants volumes and margins also declined in a competitive market.	**$95m**
Non-fuel income Non-fuel income includes convenience store income, franchise income, royalties, property, plant and equipment rentals, StarCard income and share of profits from distributor businesses. Non-fuel income has increased 6% due to increased card merchant service fees, supply chain benefits and retail network improvements.	**$185m**
Operating expenses Operating expenses in this caption include Supply Chain, Marketing and Corporate operating expenditure. The major drivers of the operating expenses increase of $92 million are: - higher salary and wages due to bonuses earned in 2014 - operating expenses for the full year of Queensland Fuel Group, and the newly acquired Scott's Fuel Divisions, including acquisition costs - higher depreciation expense - increased advertising and brand expenditure, and - higher operating expense due to higher underlying support costs as the network and infrastructure continue to expand.	**($1,145m)**
Other Other includes a number of miscellaneous items that typically include: foreign exchange impacts, other refining gross margin impacts, gain/loss on disposal of assets and subsidiary earnings. The most significant component was the net foreign exchange loss of approximately $22 million (after hedging).	**($55m)**
RCOP EBIT excluding significant items	**$795m**

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

Income statement (continued)

Discussion and analysis – Income statement (continued)		
3.	**Net finance costs** Net finance costs increased by $2 million compared with 2013. Increased net finance costs reflect: – higher unwinding of discount on long term provisions due to changes in the predicted spending pattern and a decrease in the government bond rate. This is partly offset by: – higher capitalised finance costs relating to the Kurnell terminal conversion capital project, and – lower interest expenses after the maturity and subsequent repayment of the US private placement facility in 2014, which resulted in the use of alternative sources of funding at a lower interest rate, together with lower average net debt during 2014.	↑ 2%
4.	**Significant items after tax** During 2014, the Group incurred significant item losses of $112 million after tax in relation to the Group's previously announced cost and efficiency review. These significant items related to redundancy expenses, contract cancellation costs, consulting fees and asset rationalisation costs. During 2013, the Group incurred significant item gains of $26 million after tax due to profit of $34 million on the sale of the bitumen business, net of costs relating to acquisitions and disposals. This was offset by an $8 million expense due to adjustments to provisions relating to the closure of Kurnell refinery.	↑ $138m
5.	**Inventory losses after tax** Inventory losses in 2014 were driven by the significant decline in crude oil prices in the second half of 2014, falling from US$112/bbl in June 2014 to US$63/bbl in December 2014. This decrease resulted in a net inventory loss of $361 million after tax, compared to inventory gains of $172 million after tax in 2013. Included in the inventory loss is a write-down of inventory on hand at year end of $82 million after tax to its net realisable value, due to the continued decline in crude oil prices in January 2015. There was no net realisable value write-down of inventory in 2013. By comparison, the inventory gains in 2013 were driven by the significant decline in the Australian dollar exchange rate throughout the year. Crude inventory holdings are denominated in US dollars and as the AUD exchange rate weakens compared to the US dollar, the result is that Caltex's inventory values increase from an Australian dollar perspective. While crude prices were relatively stable in 2013, the Australian dollar decreased in December 2013 to an average of 89.8 US cents, down from 104.6 US cents at December 2012.	↑ $533m

Business unit performance



Marketing

Marketing delivered an EBIT of $812 million, up approximately 6% on a record 2013 result ($764 million). This strong result was achieved despite the loss of earnings from the Sydney bitumen business which was divested in December 2013.

Marketing continues to focus on its core strategy of driving sales of premium fuels (including Vortex Diesel). Higher sales of premium grades of petrol and diesel, and jet fuel, continue to offset the long term decline in demand for unleaded petrol, including E10. The increased penetration of premium Vortex products has been underpinned by continued investment in new retail service stations and diesel stops, and the refurbishment of existing service stations.

Recent acquisitions, such as the Queensland Fuel Group in 2013 and the Scott's Fuel Divisions, which was completed in June 2014, have also contributed to the strong Marketing result.

Supply Chain

Supply Chain generated an EBIT contribution of $64 million for the 2014 full year. This compares with an EBIT loss of $171 million for 2013, and a 2014 first half loss of $65 million. The 2014 result has benefitted from the impact of favourable externalities, particularly in the fourth quarter of the year. A strong operating performance by the Lytton refinery enabled the refinery to take advantage of these favourable conditions.

As previously announced, the Kurnell refinery was successfully shut down and terminal operations commenced in October, a significant milestone in the $270 million project to convert the historic refinery site to Australia's largest fuel import terminal. The project remains on-time and on-budget with modest capex (around $50 million) remaining to be spent in 2015. The Kurnell refinery generated a 2014 operating EBIT loss of $69 million in the period prior to closure.

Externalities

The realised Caltex Refiner Margin (CRM) averaged approximately US$12.42/bbl for the 2014 full year. The strong July to December 2014 average CRM of US$16.38/bbl compares favourably with the 2014 first half (US$9.20/bbl) and the 2013 full year (US$9.34/bbl). The sharp decline in Brent crude oil prices towards year end was a major contributor to the stronger refiner margin in the second half as product prices have not fallen as quickly as the crude price (increasing the 7 day lag, whilst reducing the refining yield loss).

The recent strength in refiner margins is not expected to persist given new supply additions in the region and the expectation is that product prices will adjust downwards.

Business unit performance (continued)

Externalities (continued)

On 1 August 2014 the company changed its policy of hedging outstanding US dollar payables from 50% to 80%. This has mitigated the impact of the falling Australian dollar on US dollar payables, with a resulting net loss in 2014 on US dollar payables of approximately $26 million (before tax). Conversely, a lower Australian dollar has a favourable impact on the Australian dollar denominated refiner margin.

Company-wide Cost and Efficiency Review

As previously announced in August 2014, Caltex has undertaken a company-wide cost and efficiency review to give it the financial strength to maintain its market leadership position and to enable Caltex to capture future growth opportunities.

The review has resulted in restructuring costs of $112 million after tax (including redundancy costs, other cash and non-cash costs), being recognised in the second half of 2014. The restructuring is expected to deliver associated benefits of approximately $80 million to $100 million (before tax) per annum, with the full annual run rate expected to be achieved in 2016. Benefits totalling approximately $15 million (before tax) have already been delivered in 2014.

Balance sheet remains strong

Net debt at 31 December 2014 was $639 million, compared with $827 million at 30 June 2014 and $742 million at 31 December 2013. The lower debt reflects lower working capital levels following the closure of the Kurnell refinery, as well as the favourable impact of the lower crude price.

Balance sheet

as at 31 December 2014	2014 $m	2013 $m	Change
1. Working capital	542	1,051	(509)
2. Property, plant and equipment (PP&E)	2,364	2,126	238
3. Intangibles	188	144	44
4. Net debt	(639)	(742)	103
5. Other non-current assets and liabilities	78	18	60
Total equity	2,533	2,597	(64)

Discussion and analysis – Balance sheet

1. Working capital — ↓ $509m

The decrease in working capital is primarily due to:

- lower payables, partially offset by lower receivables, due to the fall in crude oil prices in 2014
- lower inventory balances due to the fall in crude oil prices and lower crude on hand following the closure of Kurnell refinery, and
- an income tax asset due to the lower historic cost operating profit in 2014.

This has been partly offset by higher current redundancy and environmental provisions raised in 2014 in relation to the Group's cost and efficiency review.

2. Property, plant and equipment — ↑ $238m

The increase in property, plant and equipment is due to capital expenditure and accruals, including major cyclical maintenance, of $449 million. This is partly offset by depreciation of $185 million and disposals of $26 million.

3. Intangibles — ↑ $44m

The increase in intangibles is largely due to the acquisition of assets of the Scott's Fuels Divisions in June 2014, resulting in goodwill of $30 million and intangible assets of $8 million relating to customer relationships and trade restraint (totalling $38 million).

4. Net debt — ↓ $103m

Net debt decreased by $103 million to $639 million at 31 December 2014. Caltex's gearing at 31 December 2014 (net debt to net debt plus equity) was 20.2%, decreasing from 22.2% at 31 December 2013. On a lease-adjusted basis, gearing at 31 December 2014 was 30.9% compared with 31.0% at 31 December 2013.

Current sources of funding

	A$m	Source
US$ notes	0	US institutional
A$ notes	150	Australian and Asian institutional
Bank loans	600	Australian and global banks
Inventory finance	250	Australian bank
Hybrid	550	Australian and Asian retail and institutional investors
	$1,550m	

Debt maturity profile

	2015	2016	2017	2018	2019	Beyond 2020
USD Notes	0					
Bank Loans		100	200	200	100	
Inventory Finance			250			
AUD Notes				150		
Hybrid						550

5. Other non-current assets and liabilities — ↑ $60m

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

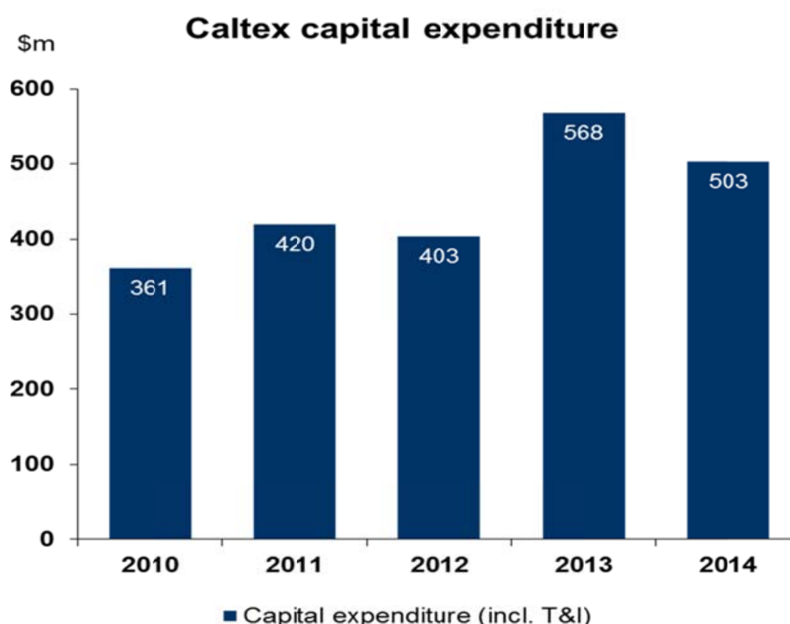
Cash flows

For the year ended 31 December 2014		2014 $m	2013 $m	Change
1.	Net operating cash inflows	662	608	54
2.	Net investing cash outflows	(476)	(507)	31
3.	Net financing cash outflows	(333)	(111)	(222)
	Net decrease in cash held	(147)	(10)	(137)

Discussion and analysis – Cash flows		
1.	**Net operating cash inflows** The increase in net cash inflows from operating activities is primarily due to higher fuel margins and sales volumes in the period.	↑ $54m
2.	**Net investing cash outflows** The decrease in cash outflows is due to the acquisition of assets of Scott's Fuel Divisions in 2014, offset by lower payments for property, plant and equipment and lower proceeds from the sale of assets. 2013 also included proceeds from the sale of the bitumen business.	↓ $31m
3.	**Net financing cash outflows** The net financing outflow in 2014 arose from the repayment of US private placement facilities. The net financing outflow in 2013 arose from the dividend payment. Net proceeds/repayment of borrowing was nil, as there were no drawdowns or repayment of fixed borrowings in the period.	↑ $222m

Capital expenditure

Capital expenditure in 2014 totalled $503 million. Excluding major turnaround and inspection (T&I) spend of $19 million, total capital expenditure was $484 million. Capital expenditure in 2015 is expected to range between $455 million and $510 million.



Business outlook and likely developments

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

Overview

Caltex's focus for the short term is to remain the outright leader in transport fuels in Australia. In support of this, short term priorities include the optimisation of the entire value chain from product sourcing to customer, underpinned by the growth of our product sourcing requirements via Ampol Singapore.

Lytton refinery will continue to focus on capturing further operational and margin improvements, and will undertake a major Turnaround & Inspection (T&I) in the second quarter of 2015. This major maintenance program will require the refinery to shut down totally for approximately seven weeks.

The company will continue the implementation of an organisation-wide cost and efficiency value program ("Tabula Rasa").

Marketing

The industry landscape remains highly competitive. This is expected to continue with new industry players competing in the market.

Caltex remains committed to building a focused strategy for growth by targeting high growth products, geographies and channels, including continuing to build and leverage its supply chain across its national network.

This will involve the continuation of its retail network expansion and refurbishment and the increased emphasis on inorganic growth, leveraging core capabilities of retailing, supply chain management and infrastructure services.

Supply Chain

The Supply chain incorporates Caltex's comprehensive national infrastructure network. This involves the company's Lytton refinery, port terminals, inland terminals, airport terminals and pipelines. This infrastructure enables Caltex to supply product to customers safely and reliably. It is this sustained investment in infrastructure that has enabled Caltex to attain the outright leadership in transport fuels across Australia.

Caltex remains committed to ongoing investment to broaden and enhance its supply chain.

The closure of the Kurnell refinery (in the fourth quarter of 2014) has seen the amount of crude oil imported for Caltex refining reduce, while imports of refined fuel products are increasing. In adapting and evolving to the changing market conditions, Caltex established an office in Singapore to grow and strengthen its product sourcing supply via Ampol Singapore (a wholly owned subsidiary of Caltex Australia). Ampol Singapore's primary role is to manage the sourcing of transport fuels product supplies and related shipping to Australia.

Ampol Singapore's activities will be complemented by the establishment of a Caltex wide Value Chain Optimisation function to optimise the entire value chain from product sourcing through to the end customer.

Lytton refinery is now Caltex's sole refinery. Caltex will continue to maintain an ongoing focus on capturing further operational and margin improvements at Lytton. This includes completing an investment upgrade to increase production of premium fuels. Additionally, a major T&I maintenance program is scheduled for the second quarter of 2015. This is expected to take approximately seven weeks.

Caltex considers itself operationally well placed to ensure that the company remains the outright leader in providing transport fuels to Australia.

Business risks and management

The key business risks that could have an impact on Caltex achieving its financial goals and business strategy are discussed below. In addition to the risk management procedures discussed below, Caltex has adopted a risk management framework to proactively and systematically identify, assess and address events that could potentially impact its business objectives. This framework integrates the consideration of risk into our activities so that:

- risks in relation to the effective delivery of our business strategy are identified
- control measures are evaluated, and
- where potential improvements in controls are identified, improvement plans are scheduled and implemented.

These risks are assessed on a regular basis by management, and material risks are regularly reported to the Board and its committees. These reports include the status and effectiveness of control measures relating to each material risk. The Board, the Audit Committee, the OHS & Environmental Risk Committee and the Human Resources Committee each receive reports on material risks relevant to their responsibilities. The Board and the OHS & Environmental Risk Committee also receive quarterly risk updates throughout the year.

Caltex Refiner Margin

The Caltex Refiner Margin (CRM) is a key metric which drives the profitability of Caltex's refinery. The CRM represents the difference between the cost of importing a standard Caltex basket of products to eastern Australia and the cost of importing the crude oil required to make that product basket. A low CRM will adversely impact Caltex's refining earnings and cash flows.

CRM is impacted by a range of factors:

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

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

Commodity price risk

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

Foreign exchange

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

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

In June 2010, Caltex implemented a foreign exchange hedging policy of 50% of Caltex's US dollar denominated crude and product payables exposure (after applying natural hedges). The hedging policy was updated in August 2014 to allow for hedging of 80% of Caltex's US dollar denominated crude and product payables exposure (after applying natural hedges). The instruments used to manage foreign exchange risk expose Caltex to fair value foreign exchange rate risk and counterparty risks. Exposure limits are set on each counterparty to ensure that Caltex is not exposed to excess risks.

Business risks and management (continued)

Liquidity risk

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

Operational risk

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

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

Competitive risk

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

Environmental risks

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

Demand for Caltex's products

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

Labour shortages and industrial disputes

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

Credit risk

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

Regulatory risk

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

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

Events subsequent to the end of the year

On 10 February 2015, Mr Adam Ritchie was appointed as the new General Manager – Supply, effective from 1 April 2015.

There were no other items, transactions or events of a material or unusual nature, that, in the opinion of the Board, are likely to significantly affect the operations of Caltex, the results of those operations or the state of affairs of the Group subsequent to 31 December 2014.

Clean Energy Future (CEF) legislation

As part of the Australian Government's Clean Energy legislative package, the Carbon Price Mechanism (CPM) commenced on 1 July 2012, establishing a price on carbon in Australia for facilities which emit at least 25,000 tonnes of carbon dioxide equivalent annually and via changes to fuel tax credit and excise for specific fuel use.

Through the 2013-2014 financial year Caltex continued to manage compliance reporting requirements under the CPM, accounting for greenhouse gas emissions from both the Kurnell and the Lytton refineries, and those greenhouse gas emissions associated with the sale of non-transport related gaseous fuels. Caltex also administered carbon pricing for domestic jet fuel through increased excise for the compliance period. Due to the emissions intensive trade exposed nature of petroleum refining Caltex again received freely granted permits under the Jobs and Competitiveness Program, with 2,311,280 permits received. Carbon permit surrender requirements also included Australian Carbon Credit Units (ACCUs) from verified Carbon Farming Initiative projects as permitted under Clean Energy Future legislation, and final compliance surrender requirements were managed through early 2015.

In 2014, the election of the Coalition Government resulted in the CPM being repealed retrospectively, with an effective date of 1 July 2014. Caltex acted to remove carbon pricing from impacted products following Royal Assent of the repeal legislation and refunded non-transport gaseous fuel carbon price costs and domestic jet excise carbon costs applicable from 1 July to 18 July 2014 to the relevant customers promptly.

The Coalition's Direct Action policy areas that will be of potential interest or impact to Caltex are the Emissions Reduction Fund (ERF) and the Safeguarding Mechanism respectively. Caltex will continue to monitor the legislative rules associated with the ERF and determine interest in participating in the Reverse Auction Process through 2015. With the Safeguarding Mechanism legislated to commence on 1 July 2016, details on how this legislative requirement will impact Lytton refinery are at this point unclear.

Caltex continues to support greenhouse gas reduction policies which maintain the international competitiveness of Australian industries such as petroleum refining.

Environmental regulations

Caltex is committed to compliance with Australian laws, regulations and standards, as well as to minimising the impact of our operations on the environment. The Board's OHS & Environmental Risk Committee addresses the appropriateness of Caltex's OHS and environmental practices to manage material health, safety and environmental risks, so that these risks are managed in the best interests of Caltex and its stakeholders.

Caltex sets key performance indicators to measure environmental, health and safety performance and drive improvements against targets. In addition to review by the Board, progress against these performance measures is monitored regularly by the Managing Director & CEO and the General Managers.

Risks are examined and communicated through the Caltex Risk Management Framework, an enterprise-wide risk management system which provides a consistent approach to identifying and assessing all risks, including environmental risks. Under the framework, risks and controls are assessed, improvements identified, and regular reports are made to management and the Board.

The Caltex Operational Excellence Management System is designed to ensure that operations are carried out in an environmentally sound, safe, secure, reliable and efficient manner. Its operating standards and procedures support the Caltex Environment Policy, and the Caltex Health and Safety Policy.

In 2014, Caltex made its sixth submission under the National Greenhouse and Energy Reporting Scheme, reporting energy consumption and production as well as greenhouse gas emissions from Group operations. Caltex also published its second public report under the third and final round of the Federal Energy Efficiency Opportunities program, communicating energy savings achieved, and also continued to disclose information on emissions under the National Pollutant Inventory. Caltex is a signatory to the Australian Packaging Covenant with 100% compliance among Caltex product suppliers and 40% of current packing reviewed using the Sustainable Packaging Guidelines.

Compliance with environmental regulations

A total of 19 environmental protection licences were held by companies in the Caltex Australia Group in 2014 in respect of two refinery sites, 11 terminals, three marketing facilities and three aviation refuelling facilities.

Any instances of non-compliance against these licences were reported to the environmental regulator. All significant spills and environmental incidents were recorded and reported as required to government authorities.

In 2014, Caltex's Kurnell refinery received one penalty infringement notice of $15,000 from the NSW Environment Protection Authority (NSW EPA) relating to an incident where a release of oily water from the Waste Water Treatment Plant entered a redundant cooling water outlet during a heavy rainfall event and was observed in Botany Bay. The NSW EPA also commenced one Tier 1 and Tier 2 prosecution in the Land and Environment Court against Caltex in relation to a loss of primary containment into a tank bund incident at Banksmeadow Terminal which occurred in July 2013.

In addition, the Queensland Department of Environment and Heritage Protection commenced proceedings against Caltex for alleged breaches of Caltex's licence conditions and failing to carry out certain activities with respect to a trackable waste. Waste in this instance refers to ethyl mercaptan, which is an odourant for LPG. Caltex's specialist waste contractor has also been prosecuted with respect to the circumstances surrounding this incident.

Regular internal audits are carried out to assess the efficacy of management systems to prevent environmental incidents, as well as control other operational risks. Improvement actions determined through the audit process are reviewed by the Board's OHS & Environmental Risk Committee and senior management.

Caltex is committed to achieving 100% compliance with environmental regulations and to ensuring that all breaches have been investigated thoroughly, and corrective actions are taken to prevent recurrence.

Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 56 and forms part of the Directors' Report for the financial year ended 31 December 2014.

Remuneration Report

The directors of Caltex Australia Limited present the Remuneration Report prepared in accordance with section 300A of the *Corporations Act 2001* (Cth) *(Corporations Act)* for the Caltex Group for the year ended 31 December 2014.

The information provided in this Remuneration Report has been audited as required by section 308(3C) of the *Corporations Act,* apart from where it is indicated that the information is unaudited.

1. Remuneration snapshot

1a. Key Management Personnel (KMP)

This Remuneration Report is focused on the KMP of Caltex, being those persons with authority and responsibility for planning, directing and controlling the activities of Caltex. KMP includes the Non-executive Directors and Senior Executives (including the Managing Director (MD) & CEO). Senior Executives are also referred to as the Caltex Leadership Team (CLT) in this report.

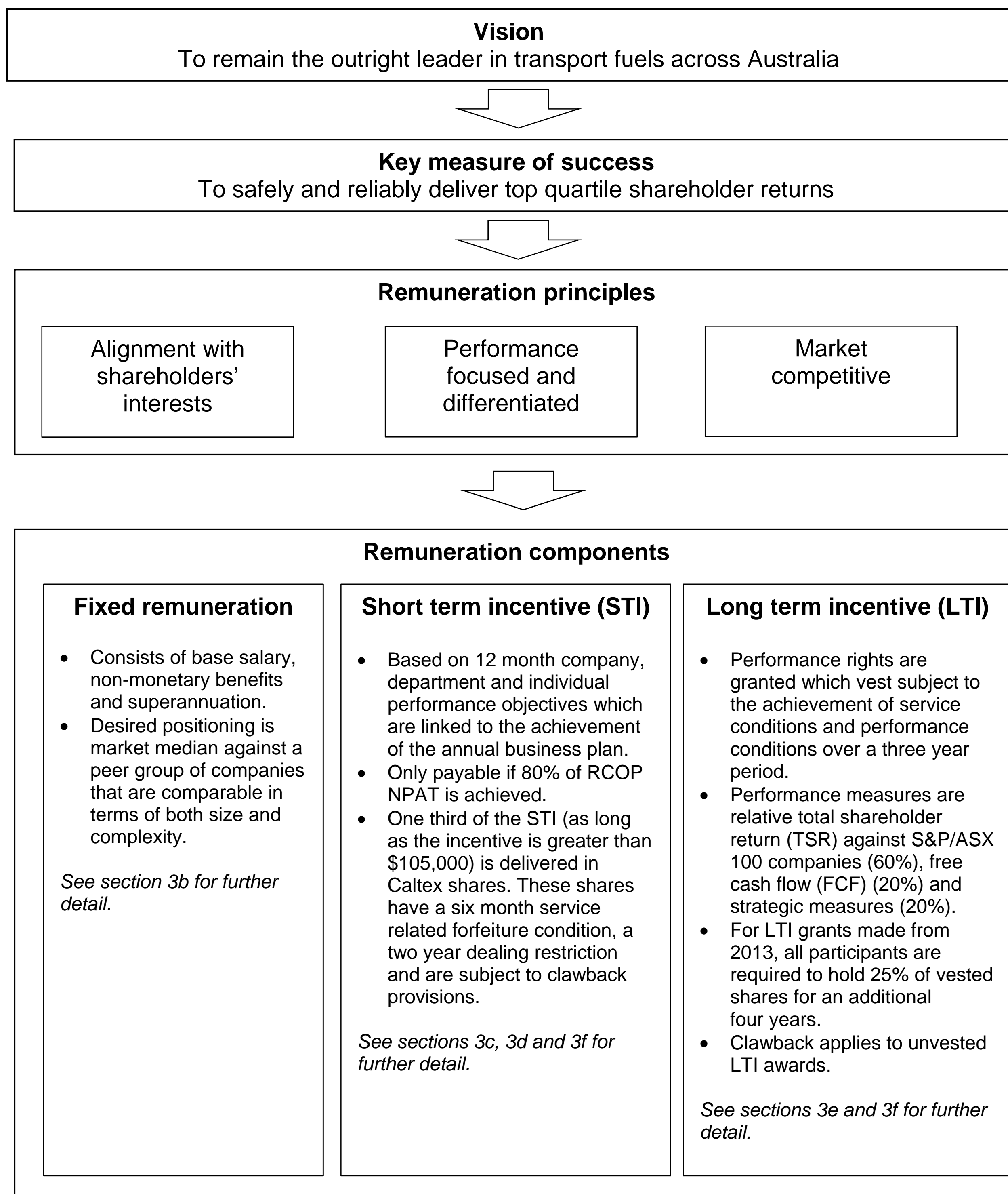
Unless otherwise indicated, the KMP were classified as KMP for the entire financial year.

Current Non-executive Directors	
Elizabeth Bryan	Chairman
Trevor Bourne	Independent Non-executive Director
Richard Brown	Non-executive Director
Barbara Burger	Non-executive Director
Greig Gailey	Independent Non-executive Director
Ryan Krogmeier	Non-executive Director
Bruce Morgan	Independent Non-executive Director
Current Senior Executives	
Julian Segal	MD & CEO
Andrew Brewer	General Manager – Supply Chain Operations *(appointed 31 March 2014)*
Simon Hepworth	Chief Financial Officer
Peter Lim	General Manager – Legal & Corporate Affairs
Mike McMenamin[(i)]	General Manager – Strategy, Planning & Development *(will cease employment on 31 May 2015)*
Bruce Rosengarten	General Manager – Marketing
Simon Willshire	General Manager – Human Resources
Former Senior Executive	
Gary Smith	General Manager – Refining & Supply *(ceased employment on 9 May 2014)*

Note:
(i) Mr McMenamin ceased being a KMP on 31 December 2014.

Mr Adam Richie will commence as General Manager – Supply on 1 April 2015.

1. Remuneration snapshot (continued)
1b. Summary of 2014 remuneration arrangements for Senior Executives



1. Remuneration snapshot (continued)

1c. Senior Executive remuneration outcomes in 2014

Remuneration component	Outcome
Fixed remuneration	The 2014 fixed remuneration review for Senior Executives resulted in an average salary increase of 3.8%.
STI	RCOP NPAT performance in 2014 was 125% of target and the average 2014 STI award for Senior Executives was 141% of target. This outcome demonstrates the strong alignment between STI awards and profit outcomes. Similar alignment was seen in 2013 when no bonuses were paid because RCOP NPAT was below 80% of target. One-third of the actual STI paid to Senior Executives will be deferred into shares with a six month forfeiture condition and a two year dealing restriction. The shares are also subject to clawback. No clawback occurred in respect of the STI in 2014.
LTI	The 2012 LTI grant made under the Caltex Equity Incentive Plan (CEIP) was subject to a relative TSR measure. 75% of the grant was assessed against S&P/ASX 100 companies and 25% of the grant was assessed against a group of six international refining and marketing companies. This grant had a performance period that ended on 31 December 2014. Caltex's TSR performance over the 2012-2014 period placed it at the 95.8th percentile against the S&P/ASX 100 companies and at the 66.7th percentile against the selected group of international refining and marketing companies. As a result, 88.9% of the 2012 grant will vest in April 2015 and the remaining 11.1% will lapse. No clawback occurred in respect of the LTI in 2014.

1d. Summary of 2014 Non-executive Director fees

Non-executive Director fees are fixed and do not have any variable components. The Chairman receives a fee for chairing the Caltex Board and is not paid any other fees. Other Non-executive Directors receive a base fee and additional fees for each additional Committee chairmanship and membership.

For FY14, superannuation contributions were made at a rate of 9.25% from 1 January to 30 June, increasing to 9.5% from 1 July 2014. Superannuation is not paid for overseas directors and no additional retirement benefits are paid.

Fees paid to Non-executive Directors are subject to a maximum annual Non-Executive Director fee pool of $2,000,000 (including superannuation).

See sections 4a and 4b for further detail.

1e. Outlook for FY15 (unaudited)

The FY15 executive remuneration structure will remain broadly consistent with 2014. The key changes are:

- We are increasing the weighting on relative TSR against S&P/ASX 100 companies in our LTI plan from 60% to 75%. The remaining 25% will be based on a measure aligned to earnings growth from mergers and acquisitions (core and non-core) and step-out ventures. This is reflective of the importance of growth in achieving our key success measure of top quartile shareholder returns.

- No STI deferral will apply in respect of 2015 STI awards as shareholder alignment will now be achieved through share retention arrangements. Under these arrangements, 25% of vested equity under the LTI plan must be held for an additional four years. These arrangements have been implemented to require executives to build up and maintain more sizeable shareholdings in Caltex over a longer period of time. The share retention arrangements will first apply from April 2016.

1. Remuneration snapshot (continued)

1e. Outlook for FY15 (unaudited) (continued)

Senior Executive remuneration will increase on average by 10%. These increases were determined by the Board, upon the recommendation of the Human Resources Committee. The Human Resources Committee's recommendation was determined having regard to the Senior Executive's performance over the year and the remuneration recommendations provided by its independent remuneration adviser, Godfrey Remuneration Group (GRG).

In order to be able to attract and retain key talent, our remuneration philosophy is to position fixed remuneration at the median of a peer group of companies. For 2015, this peer group consisted of 24 companies that are comparable in terms of size (market capitalisation) and complexity. The GRG market data indicated that Senior Executive fixed remuneration levels were below the median. These increases will shift Senior Executive fixed remuneration levels closer to our desired market positioning and compensate Senior Executives for prior years' pay restraint.

Given the transformation Caltex is going through, and that we have not reviewed our remuneration framework for several years, we believe it is timely to step back and to conduct a holistic review of our remuneration arrangements. We will be doing this over 2015 and it is envisaged that any changes will take effect from 2016.

Having had regard to market data and remuneration recommendations received from the independent remuneration adviser, GRG, the Board approved an increase of 3% for Non-executive Director base fees (effective from 1 January 2015). The market data was based on the same peer group used for the Senior Executive remuneration review. This is the first general increase to Chairman and Non-Executive Director base fees since 2012 (excluding the alignment of fees for the Human Resources Committee and the OHS & Environmental Risk Committee in 2013).

Caltex will seek shareholder approval at the 2015 Annual General Meeting to increase the Non-executive Director fee pool by 12.5%. An increase to the Non-executive Director fee pool was last approved by shareholders at the 2010 Annual General Meeting. Increasing the fee pool limit will enable Caltex to maintain an appropriate reserve to effect Board and Committee succession in an orderly fashion.

2. Oversight and external advice

2a. Board and Human Resources Committee

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

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

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

Further information about the role of the Board and the Human Resources Committee are set out in their charters, which are available from our website (www.caltex.com.au).

2b. External advice

The Human Resources Committee is independent of management and is authorised by the Board to obtain external professional advice as necessary. The use of external specialists to provide advice and recommendations in relation to the remuneration of Non-executive Directors, the MD & CEO and Senior Executives is either initiated directly or approved by the Human Resources Committee, and these specialists are directly engaged by the Human Resources Committee Chairman.

During 2014, Caltex received "remuneration recommendations" (as defined in the *Corporations Act*) from GRG in relation to Non-executive Director fees and the remuneration for the MD & CEO and other Senior Executives.

GRG has provided a formal declaration confirming that the recommendations provided were free from "undue influence" by the members of the KMP to whom the recommendations were related, and the Board is satisfied that the recommendations were made free from any undue influence. None of the KMP were involved in the selection and appointment of GRG or in the development of any advice or recommendations in relation to their own roles.

The fee paid to GRG for the above remuneration advice and recommendations was $38,500. GRG did not provide any other services (as defined in the *Corporations Act*) to Caltex in 2014.

3. Senior Executive remuneration

3a. Remuneration philosophy and structure

The overarching goal of the Caltex remuneration philosophy and structure is to support the delivery of superior shareholder returns. The guiding philosophy for how Caltex rewards Senior Executives and all other employees is outlined below:

Guiding philosophy	Commentary
Alignment with shareholders' interests	The payment of variable incentives is dependent upon achieving financial and non-financial performance measures that are aligned with shareholders' interests. Share retention arrangements require all executives to build up and maintain shareholdings to encourage further alignment with Caltex shareholders.
Performance focused and differentiated	Our reward and performance planning and review systems are closely integrated to maintain a strong emphasis and accountability for performance at the company, department and individual levels. Rewards are differentiated to incentivise and reward superior performance.
Market competitive	All elements of remuneration are set at competitive levels for comparable roles in Australia and allow Caltex to attract and retain quality candidates in the talent market.

Our Senior Executive remuneration structure consists of:

1. **Fixed remuneration** – comprising base salary, non-monetary benefits and superannuation. Superannuation is generally payable at a rate of 9.5% of base salary plus any cash incentive payments. Where an employee's quarterly superannuation contributions are above the superannuation contributions limit, the employee may elect to receive the excess amount as cash in lieu of superannuation.
2. **Variable, at risk remuneration** – comprising a mix of cash and equity based incentives awarded upon the achievement of financial and non-financial performance measures.

We undertake regular monitoring and comparison of the market competitiveness of Senior Executive remuneration.

Alignment with strategy

Short term incentives reward the delivery of stretching but potentially attainable financial and non-financial performance measures aligned to the annual business plan.

Long term equity based incentives are a combination of "output" and "input" measures. The LTI measures were chosen because they directly align to the Caltex strategic imperatives. See below for further detail.

2014 LTI measure and weighting	How the LTI measure aligns with the Caltex strategy
Relative TSR (60%)	• Relative TSR provides direct alignment with shareholder outcomes and is a good indicator of profitable management of assets, operating efficiencies, progress in meeting Caltex's strategic objectives and long term performance. • The measure provides a direct comparison of relative performance in a range of market conditions and only rewards executives when returns are at least at the median of peer companies against which Caltex competes for capital, customers or talent.
FCF (20%)	• FCF funds opportunities for growth and cash dividend payments, improves our competitiveness in a substantially more contestable market and supports the Caltex strategy which has the overarching objective of creating shareholder value. • As a key objective of Caltex's strategy is to deliver a stronger balance sheet, with lower debt post the closure of the Kurnell refinery, the demonstrated ability to deliver stronger free cash flow generation capability is key to this strategy. Having free cash flow as a LTI measure assists in maintaining the focus of Senior Executives, and other senior managers at Caltex, on the importance of this key business metric.

3. Senior Executive remuneration (continued)

3a. Remuneration philosophy and structure (continued)

LTI measure and weighting	How the LTI measure aligns with the Caltex strategy
Strategic measures (20%)	• Strategic measures focus the Senior Executives and other senior managers on the most important strategic initiatives that need to be executed over a three year period to create shareholder value. Further detail on the strategic measures is outlined in section 3e.

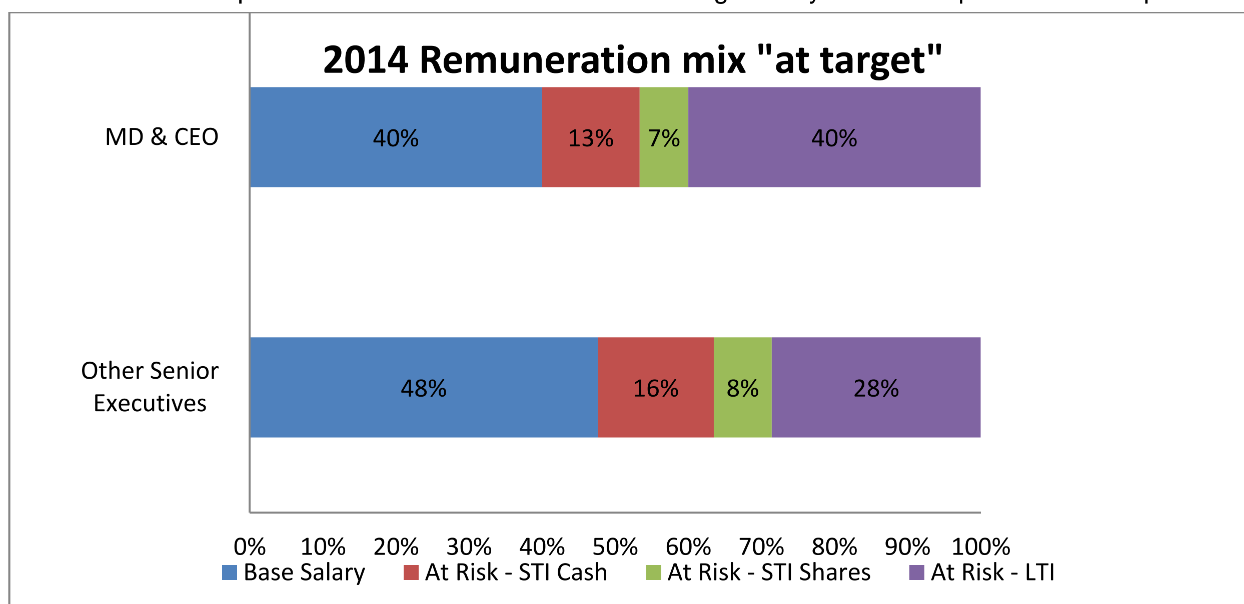
At Caltex, incentives are not designed as "profit sharing arrangements" and as such performance measures may factor in externalities which management cannot control (such as global refining margins). There will be occasions when incentives are paid when externalities such as the refiner margins and exchange rate fluctuations may have reduced overall shareholder returns. Equally, incentives may not be paid when externalities are favourable to shareholders but the company's relative performance is poor.

3b. Remuneration mix and market competitiveness

Fixed remuneration is reviewed annually and set relative to the skills and accountabilities of the executive and our philosophy is to set fixed remuneration at the market median of a specific comparator group. Total remuneration can reach the upper quartile for outstanding performance.

Performance based, at risk, remuneration targets are set annually as a proportion of base salary. Short term incentives (currently delivered through both cash payments and restricted shares) are managed via the Rewarding Results Plan and long term equity based incentives are managed via the CEIP. The "at target" remuneration mix for Senior Executives is outlined below.

The remuneration mix is skewed towards variable pay to better align executive pay and performance. By way of comparison, Caltex has a larger than average LTI component than current market practice. Research undertaken by Caltex has also confirmed that Caltex has a more stretching relative TSR vesting schedule than most ASX 100 companies and that Caltex's LTI vests more gradually as relative performance improves.



Notes:

1. STI cash and STI shares comprise the incentive provided through the Rewarding Results Plan. For "at target" performance, two thirds is payable as cash and one third is deferred into shares assuming the incentive is greater than $105,000.
2. "At target" performance in the remuneration mix for "Other Senior Executives" is representative of a STI target of 50% of base salary which applies to Mr Brewer, Mr Hepworth and Mr Rosengarten. Mr Lim, Mr McMenamin and Mr Willshire have a STI target of 46% of base salary.
3. LTI comprises performance rights granted under the CEIP. It is the value of LTI at 75th percentile relative TSR performance, and the delivery of free cash flow and strategic measures at target. Grants of performance rights under the CEIP are made at the maximum stretch level of 150% of base salary for the MD & CEO and 90% of base salary for other Senior Executives. The proportion of the grant received depends on performance. For example, for the 2014 awards, executives will only receive the full value of the grant if relative TSR performance measure is at or above the 90th percentile against the S&P/ASX 100 peer group, free cash flow is at stretch levels, and performance against the strategic measures are exceeded.

3. Senior Executive remuneration (continued)

3b. Remuneration mix and market competitiveness (continued)

The remuneration mix and remuneration level for Senior Executives is reviewed annually by the Human Resources Committee and approved by the Board. In doing so, the Human Resources Committee utilises remuneration information provided by independent consultants based on Australian roles with similar skills, accountabilities and performance expectations.

In undertaking the 2014 review, the Board utilised a comparator group comprising 24 ASX listed companies with 10 larger and 14 smaller than Caltex's market capitalisation. This group was chosen by the Board, with advice from GRG, as it comprises a mix of Energy, Industrials, Materials and Consumer Staples companies of similar market capitalisation and complexity to Caltex, and because these companies are also key competitors for executive talent.

3c. Setting and evaluating the performance of executives in 2014

Performance measures for 2014 were derived from the business plan in line with the company direction set by the Board. The Board approved the 2014 business plan and has regularly monitored and reviewed progress against plan milestones and targets.

The approved Caltex business plan was then translated into department objectives. The company objectives were approved by the Human Resources Committee at the start of the performance year.

Within each business unit, specific performance agreements were then developed for individual employees, thus completing the link between employees and the delivery of the business plan. Performance agreements must be agreed between the employee and his or her manager. Senior Executives set their performance agreements jointly with the MD & CEO, and the MD & CEO's performance objectives are approved by the Board.

Examples of the key Caltex success measures for 2014, as approved by the Committee, are set out below. These measures were selected because they were identified as important financial and operational drivers which would determine the success of Caltex in 2014.

2014 Caltex success measures

Individual scorecards are set for each Senior Executive. At least 40% of the scorecard is weighted towards RCOP NPAT and at least 10% of the scorecard is weighted towards personal and process safety. The remaining 50% of measures are tailored to the Senior Executive's role. An overview of common measures used in the STI plan is below:

Financial	Non-financial
• RCOP NPAT – see definition and explanation below. • FCF – the generation of sufficient cash flow to pursue growth opportunities and pay dividends. • Earnings before interest and tax (EBIT) – the internal measure of financial performance at a department level for each of Marketing and Supply Chain. • Sales volumes. • High value product production – the production of high value transport fuels.	• Operational Excellence - continuous improvement of our health, safety and environmental performance. In 2014, this was measured against a scorecard of both personal safety performance (zero harm to our employees) and process safety performance (the prevention and control of serious incidents). Minimising the frequency and the severity of personal safety incidents are core to our personal safety performance. Process safety is measured consistent with industry practice and is aligned to American Petroleum Institute recommended practice. • Delivery of Strategic Projects - examples of 2014 projects include: o implementing a company-wide cost and efficiency review to drive organisational competitiveness and opportunities for growth o implementing a transformation of the Caltex supply chain - including deliverables linked to the conversion of Kurnell refinery to a fuel import terminal; putting new product supply agreements into operation; and delivering performance improvements at the Lytton refinery o the delivery of a number of key initiatives to profitably grow the Marketing business. • Leadership – this was measured in 2014 via a company-wide Employee Engagement survey, with targets set in the context of 2012 engagement scores.

3. Senior Executive remuneration (continued)

3c. Setting and evaluating the performance of executives in 2014 (continued)

RCOP NPAT (explanation of the relevance of this measure to the Caltex business and treatment of significant items)

The Board has selected replacement cost of sales operating profit (RCOP) NPAT as the primary STI measure because RCOP NPAT removes the impact of inventory gains and losses, giving a truer reflection of underlying financial performance.

Gains and losses in the value of inventory due to fluctuations in the AUD price of crude (which is impacted by both the USD price of crude and the foreign exchange rate) constitute a major external influence on Caltex's profits. RCOP NPAT restates profit to remove these impacts. The Caltex RCOP methodology is consistent with the methods used by other refining and marketing companies for restatement of their financial results.

As a general rule, an increase in crude prices on an AUD basis will create an earnings gain for Caltex (but working capital requirements will also increase). Conversely, a fall in crude prices on an AUD basis will create an earnings loss. This is a direct consequence of the first in first out (FIFO) costing process used by Caltex in adherence with accounting standards to produce the financial result on a historical cost basis. With Caltex holding approximately 45 to 60 days of inventory, revenues reflect current prices in Singapore whereas FIFO costing reflects costs some 45 to 60 days earlier. The timing difference creates these inventory gains and losses.

To remove the impact of this factor on earnings and to better reflect the underlying performance of the business, the RCOP NPAT methodology calculates the cost of goods sold on the basis of theoretical new purchases instead of actual costs from inventory. The cost of these theoretical new purchases is calculated as the average monthly cost of cargoes received during the month of those sales.

Each year the Board reviews any significant items, positive and negative, and considers their relevance to the RCOP NPAT result. Generally, the Board will exclude any exceptional events from RCOP NPAT that management and the Board consider to be outside the scope of usual business. These are excluded to give a truer reflection of underlying financial performance from one period to the next.

3d. Performance based "at risk" remuneration – 2014 STI Plan

Plan	STI awards are made under the Rewarding Results Plan.
Performance period	Annual payment based on pre-agreed performance objectives over the 12 month period ended 31 December 2014. Payments are made in April 2015.
2014 target and maximum opportunity levels	MD & CEO – between 50% of base salary "at target" and 100% of base salary at maximum stretch. Other Senior Executives – between 46% and 50% of base salary "at target" and between 92% and 100% of base salary at maximum stretch depending upon role.
Plan rationale	The Board believes that the Rewarding Results Plan is in the best interests of shareholders because it rewards a combination of financial and non-financial performance measures that are aligned to the creation of shareholder value. Primary emphasis is placed on RCOP NPAT, and the non-financial measures focus our executives on executing the most critical business and strategic objectives.
Performance measures and assessment	In 2014, RCOP NPAT performance, including the cost of incentives, had to be at least 80% of target before any short term incentives would be payable. Objectives that are relevant to each executive are set with a threshold, target and maximum stretch level of performance expected, with at least 40% of scorecard weighted towards RCOP NPAT and at least 10% of the scorecard weighted towards personal and process safety.

3. Senior Executive remuneration (continued)

3d. Performance based "at risk" remuneration – 2014 STI Plan (continued)

Performance measures and assessment (continued)

If business objectives are achieved at threshold level, 60% of the target opportunity would be payable. If 100% of the target is achieved, 100% of the target opportunity would be payable. If business objectives are achieved at the maximum stretch level, 200% of the target opportunity would be payable. Payments are pro-rated between threshold and target, and between target and maximum stretch. This payout schedule deliberately incentivises over-plan performance.

Examples of performance measures used in 2014 are below, along with performance against those objectives.

Measure	Performance range					Commentary
	Below Threshold	Threshold to Target	Target	Target to Stretch	Stretch	
RCOP NPAT				✓		Growth compared to 2013 and significantly above target performance.
Free Cash Flow before growth capital expenditure and dividends				✓		Growth compared to 2013 and above target performance.
Marketing EBIT			✓			Growth compared to 2013 with performance slightly above target despite a very competitive market.
Marketing growth projects					✓	Above 90% of milestones associated with Marketing's top three growth projects were achieved.
Personal safety	✓					TTIFR of 1.76 per million man hours and LTIFR of 0.77 per million man hours – including employees and contractors. These are disappointing figures, especially compared to 2013.
Process safety	✓					22 reportable (> 1bbl and marine) spills in 2014. Four of these spills were Tier 1 process safety incidents. These are disappointing figures, especially compared to 2013.
Cost and Efficiency Review					✓	Significant cost savings achieved with the company well set up to realise benefits in 2015 and beyond.
High Value Product production (HVP)				✓		Overall production of high value transport fuels was below 2013 (due to Kurnell refinery closure) but Lytton production was ahead of 2013 and above target.
Project delivery associated with the transformation of the Caltex supply chain					✓	99% of project milestones met compared to a target of 80%. Kurnell refinery was shut down on budget and on schedule.
Leadership		✓				This was a positive result in a challenging year due to workforce reduction as part of the cost and efficiency review. Measured via a company-wide Employee Engagement survey.

Use of discretion

The Human Resources Committee, in its advisory role, reviews proposed adjustments to Rewarding Results outcomes where there are exceptional unforeseen and uncontrollable impacts on the agreed performance measures and makes recommendations for any changes to performance measures, which may only be approved by the Board. KPMG assisted the Human Resources Committee with the review of scorecard financial results by performing agreed upon procedures over the calculated metrics.

3. Senior Executive remuneration (continued)

3d. Performance based "at risk" remuneration – 2014 STI Plan (continued)

Use of discretion (continued)	During 2014, discretion was exercised by the Board to exclude the impact of these significant items from the RCOP NPAT result that were determined by the Board to be outside of the control of employees and not considered part of normal trading operations. The items excluded from the Caltex 2014 RCOP NPAT result for both statutory disclosure and incentive purposes were: • redundancy costs • other costs and fees associated with the Cost and Efficiency Review • contract penalties associated with the Cost and Efficiency Review • liabilities and write-offs associated with asset rationalisation projects • funding restructure costs • interest cost of early repayment of final US private placement tranche, net of 2014 benefits.
Payment vehicle	For the Senior Executives, one third of the award is deferred into shares if the cash value of the award exceeds $105,000. These shares are subject to a six month service related forfeiture condition and a two year dealing restriction.
Clawback Policy	See section 3f for information on the Caltex Clawback Policy.

3e. Performance based "at risk" remuneration - LTI plan

Plan	LTI awards are granted under the CEIP.
LTI instrument	Performance rights are granted by the company for nil consideration. Each performance right is a right to receive a fully-paid ordinary share at no cost if service based and performance based vesting conditions are achieved. Performance rights do not carry voting or dividend rights. For the 2013 and 2014 awards, the Board may determine to pay executives the cash value of a share in satisfaction of a vested performance right, instead of providing a share or restricted share. It is expected such discretion will only be exercised in limited cases, typically where the executive is a "good leaver" from Caltex, i.e. where the employee ceases employment due to redundancy or retirement.
Allocation methodology	The number of performance rights granted is determined by dividing the maximum opportunity level by the five day volume weighted average price up to and including the first day of the performance period, discounted by the value of the annual dividend to which the performance rights are not entitled.
Performance period	Performance periods under the CEIP are three years commencing on 1 January in the year the awards are made. For the 2014 awards this is the three year period commencing 1 January 2014 and ending 31 December 2016.
2014 target and maximum opportunity levels	The MD & CEO received a grant of performance rights based on a maximum LTI value of 150% of base salary. Senior Executive grants were based on a maximum LTI value of 90% of base salary.

3. Senior Executive remuneration (continued)

3e. Performance based "at risk" remuneration - LTI plan (continued)

<table>
<tr>
<td>Performance measures (2012 awards)</td>
<td>
For the 2012 awards, relative TSR is assessed against two comparator groups – S&P/ASX 100 companies (weighted at 75%) and a selection of six international refining and marketing companies (weighted at 25%).
The international refining and marketing companies comprised Motor Oil Hellas Corinth Refineries SA (Greece), Neste Oil OY J (Finland), S-Oil Corporation (Korea), Tesoro Corporation (USA), Valero Energy Corporation (USA) and Western Refining Incorporated (USA).
The relative TSR vesting schedule for both (independent) peer groups is:
<table>
<tr><th>Performance scale</th><th>Vesting %</th></tr>
<tr><td>Below Threshold</td><td>Zero</td></tr>
<tr><td>Threshold: 50th percentile</td><td>33.3% of the rights will vest</td></tr>
<tr><td>Between Threshold and Target</td><td>Pro-rata vesting occurs between these relative performance levels</td></tr>
<tr><td>Target: 75th percentile</td><td>66.6% of the rights will vest</td></tr>
<tr><td>Between Target and Stretch</td><td>Pro-rata vesting occurs between these relative performance levels</td></tr>
<tr><td>Stretch: 90th percentile</td><td>100% of the rights will vest</td></tr>
</table>
</td>
</tr>
<tr>
<td>Performance measures (2013 and 2014 awards)</td>
<td>
Relative TSR (weighted at 60%)
For the 2013 and 2014 awards, relative TSR is assessed against S&P/ASX 100 companies in accordance with the 2012 vesting schedule outlined above. Relative TSR is no longer measured against the international refining and marketing company comparator group given the restructure of Caltex's supply chain and the company's reduced exposure to refining earnings volatility and asset concentration risk.
FCF (weighted at 20%)
FCF measures performance against the cumulative FCF threshold, target and stretch levels set by the Board for the three year periods ending 31 December 2015 (2013 award) and 31 December 2016 (2014 award), based on the respective three year business plan. The targets are achievable only if growth expectations in Marketing are achieved, a competitive supply chain is maintained, and key strategic projects are achieved.
FCF performance is measured before dividends and growth investment capital to ensure management is not discouraged from considering growth opportunities. The Board may modify the performance outcome to take into account material changes to the external environment and potentially those controllable items that may change to reflect appropriate Board decisions over the three year period.
At the end of the 2013-2015 and 2014-2016 performance periods, the Board will set out Caltex's performance against the cumulative FCF target in the 2015 and 2016 Remuneration Reports, including how, if at all, the Board has modified the performance outcome noted above.
</td>
</tr>
</table>

3. Senior Executive remuneration (continued)

3e. Performance based "at risk" remuneration - LTI plan (continued)

Performance measures (2013 and 2014 awards) (continued)	**Strategic measures (weighted at 20%)** ***2013 award*** The 2013 strategic measure is based on performance against the Board approved project cost and schedule milestones for the Kurnell conversion project. The cost schedules and milestones are those that are to be delivered before 31 December 2015 and which were approved by the Board during 2013. Half of the Board's assessment (10% weighting) will be measured based on the delivery of the Kurnell conversion project to budget. The remaining half (10% weighting) will be measured based on the Board's qualitative assessment of performance during the three year period against a range of parameters including delivery of project milestones to time, safety and environment performance, and continuity of supply to customers. The Board intends to only reward performance that is consistent with shareholder expectations and has discretion to modify the proportion of performance rights that will vest based on actual performance. ***2014 award*** The 2014 strategic measure is based on the Board's qualitative assessment of the outcomes achieved through key strategic projects, each designed to support top quartile shareholder returns, through the transformation of the company into a competitively efficient organisation with innovation and growth capabilities. The expected outcomes of the projects will be: • a competitively efficient organisation • the development and demonstration of end to end value chain optimisation capability • the development and demonstration of competitive supply capability • the development and demonstration of innovation and growth capabilities. ***Disclosure of performance outcomes:*** At the end of the respective 2013-2015 and 2014-2016 performance periods, the Board will set out in the 2015 and 2016 Remuneration Reports how Caltex performed against these measures, including the Board's rationale for the relevant vesting percentage.
Shares acquired upon vesting of the performance rights	Shares to satisfy vested performance rights are purchased on market at the time of vesting if the vesting conditions are met and the performance rights vest. Shares allocated upon vesting of performance rights will carry the same rights as other ordinary shares (including dividends and voting rights).
Share retention arrangements	For the 2013 and 2014 CEIP awards, where performance rights vest, new share retention arrangements will apply to all participants. The share retention arrangements are designed to encourage all executives to build up and maintain more sizeable shareholdings in Caltex for a longer period of time and further align the interests of Caltex executives and shareholders. Under the share retention arrangements, 25% of the vested portion of performance rights will be converted into restricted shares, and dealing with the restricted shares will not be permitted for a period of seven years (until 1 April 2021 for the 2014 CEIP awards), effectively extending the life of the LTI over this period. Based on this policy, if it is assumed the CEIP awards vest at target levels over a period of four years, then the MD & CEO and Senior Executives would have theoretical shareholdings of 100% and 60% of their base salary respectively. Executives can also elect additional voluntary restrictions on dealing with the remaining 75% of vested performance rights, resulting in a greater percentage of vested performance rights becoming restricted shares. On ceasing employment, all dealing restrictions on the restricted shares cease to apply, subject to the application of the Clawback Policy.

3. Senior Executive remuneration (continued)

3e. Performance based "at risk" remuneration - LTI plan (continued)

Clawback Policy	See section 3f for information on the Caltex Clawback Policy.
Termination provisions	If a participant ceases to be an employee due to resignation, all unvested equity awards held by the participant will lapse, except in exceptional circumstances as approved by the Board. The Board has the discretion to determine the extent to which equity awards granted to a participant under the CEIP vest on a pro-rated basis where the participant ceases to be an employee of a Group company for reasons including retirement, death, total and permanent disablement, and bona fide redundancy. In these cases, the Board's usual practice is to pro-rate the award to reflect the portion of the period from the date of grant to the date the participant ceased to be employed. In addition, the portion of the award that ultimately vests is determined by testing against the relevant performance hurdles. If no determination is made by the Board, all equity awards held by the participant will lapse.
Change of control provisions	Any unvested performance rights may vest at the Board's discretion, having regard to pro-rated performance.

3f. Clawback Policy

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

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

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

3g. Hedging and margin lending policies

The Caltex *Securities Trading Policy* prohibits Senior Executives from hedging an exposure to unvested or vested Caltex securities held through any of our incentive plans. The policy also requires directors and Senior Executives to give prior notice to the Company Secretary of any proposed margin loan arrangements. If a demand for payment is made under a margin loan arrangement, the director or Senior Executive must immediately advise the Company Secretary.

The *Securities Trading Policy* is a core corporate governance policy and Caltex has implemented appropriate measures to ensure compliance. Each year, directors, Senior Executives and certain other personnel are required to provide a certificate to the Company Secretary confirming their compliance with the *Securities Trading Policy*. Any breach of the *Securities Trading Policy* must be immediately advised to the Company Secretary, who will report the breach to the Board. A breach of the *Securities Trading Policy* may lead to disciplinary action, which may include termination of employment in serious cases.

3. Senior Executive remuneration (continued)

3h. MD & CEO remuneration and service agreement

The MD & CEO's remuneration is determined by the Board, upon the recommendation of the Committee. In making its 2014 remuneration recommendation, the Human Resources Committee considered the performance of the MD & CEO and advice provided by GRG which took into account remuneration levels provided by companies of a similar size and complexity.

The split between the MD & CEO's 2014 total target and maximum stretch remuneration is outlined below.

Total target and maximum remuneration

Fixed remuneration including superannuation	"At risk" – performance based remuneration	
	STI[(ii)]	LTI[(iii)]
$2,089,270[(i)]	"At target" $994,635 *(50% of base salary)*	"At target"– when TSR is at the 75th percentile of peer companies, the free cash flow target is met, and the targets associated with the strategic measure have been met. $1,989,270 *(100% of base salary)*
	"Stretch" $1,989,270 *(100% of base salary)*	"Stretch" – when TSR is at the 90th percentile of peer companies, free cash flow performance is at stretch, and the targets associated with the strategic measures have been exceeded. $2,983,905 *(150% of base salary)*

Notes:

(i) The MD & CEO's remuneration increased by 3.5% during the 2014 remuneration review.

(ii) Currently there is mandatory deferral into shares of 33.3% of the actual STI above $105,000.

(iii) Share retention arrangements have been implemented to encourage share retention and promote alignment with shareholders over the longer term. For the 2013 and 2014 CEIP award, all CEIP participants, including the MD & CEO, are required to hold 25% of the shares awarded when the performance rights vest, for an additional four years.

Table 1. Summary of MD & CEO's Service Agreement

Term	Conditions
Duration	Ongoing until notice is given by either party
Termination by MD & CEO	Six months' notice Company may elect to make payment in lieu of notice
Termination by company for cause	No notice requirement or termination benefits (other than accrued entitlements)
Termination by company (other)	12 months' notice Termination payment of 12 months' base salary (reduced by any payment in lieu of notice) Treatment of unvested STI and LTI in accordance with plan terms
Post-employment restraints	Restraint applies for 12 months if employed in the same industry within Australia

3. Senior Executive remuneration (continued)

3i. Other Senior Executive Service Agreements

The remuneration and other terms of employment for the other Senior Executives are formalised in Service Agreements (contracts of employment). The material terms of the Service Agreements are set out below.

The Senior Executives of Caltex are appointed as permanent Caltex employees. Their employment contracts require both Caltex and the executive to give a notice period within a range between one and six months as stipulated by their individual contracts should they resign or have their service terminated by Caltex. The terms and conditions of the executive contracts reflect market conditions at the time of the contract negotiation and appointment. It is Caltex's intention going forward to reset the termination notice for all newly appointed Senior Executives to at least three months.

The details of the contracts of the current Senior Executives of Caltex are set out below. The durations of the contracts are open ended (i.e. ongoing until notice is given by either party).

Table 2. Summary of Service Agreements for other Senior Executives

	Termination on notice (by the company)	Resignation (by the Senior Executive)
Current Senior Executives		
Andrew Brewer	6 months	6 months
Simon Hepworth	3 months	3 months
Peter Lim	6 months	6 months
Mike McMenamin	1 month	1 month
Bruce Rosengarten	6 months	6 months
Simon Willshire	6 months	6 months
Former Senior Executive		
Gary Smith	6 months	3 months

If a Senior Executive was to resign, their entitlement to unvested shares payable through the CEIP would generally be forfeited and, if resignation was on or before 31 December of the year, generally their payment from the Rewarding Results Plan would also be forfeited, subject to the discretion of the Board. If a Senior Executive is made redundant, their redundancy payment is determined by the Caltex Redundancy Policy, with the payment calculated based on years of service and the applicable notice period.

Other than prescribed notice periods, there is no special termination benefit payable under the contracts of employment. Statutory benefits (such as long service leave) are paid in accordance with the legislative requirements at the time the Senior Executive ceases employment.

Appointment of General Manager – Marketing

Mr Bruce Rosengarten was appointed on 1 November 2013. Mr Rosengarten's contract included relocation support to assist him to relocate from Melbourne, where he was previously employed. This relocation support was incurred in 2013. If Mr Rosengarten's employment ceases due to resignation, serious and wilful misconduct or negligent behaviour within 36 months of commencement, a prorated portion of relocation assistance must be repaid.

Mr Rosengarten also received a payment to compensate him for forgone STI and an award of restricted shares to compensate him for unvested LTI at his prior employer. The payment in relation to forgone STI is required to be repaid in full if Mr Rosengarten ceases employment within 24 months of his commencement date.

Fifty percent (50%) of the restricted share grant vests on Mr Rosengarten's second anniversary of commencement, with the remaining 50% vesting on his third anniversary. Each tranche lapses if Mr Rosengarten's employment ceases due to resignation, serious and wilful misconduct, negligent behaviour or unsatisfactory performance prior to each respective date. The award of restricted shares is outlined in table 6b.

3. Senior Executive remuneration (continued)

3i. Other Senior Executive Service Agreements (continued)

General Manager – Strategy, Planning & Development

In April 2014, the Board approved an application from Mr Mike McMenamin, for the release of his outstanding STI Deferred shares due to exceptional circumstances. These shares remain subject to clawback until 1 April 2015.

In December 2014, as part of the corporate restructure under a major cost and efficiency review, a decision was taken that the position of General Manager – Strategy, Planning & Development is no longer required and that the role is to be made redundant. Mr McMenamin will remain employed with Caltex until 31 May 2015. Under these arrangements, Mr McMenamin will receive his 2014 STI payment, his 2012 LTI award, a redundancy package (including notice) and his statutory leave entitlements.

The 2013 and 2014 CEIP LTI awards will be pro-rated to the date he ceases employment, with those performance rights remaining "on-foot" to be tested against the relevant performance measures at the end of the respective performance periods. Mr McMenamin will not receive a 2015 CEIP LTI award and will not be eligible for a 2015 STI payment.

Resignation of the General Manager – Refining & Supply

Mr Gary Smith resigned and ceased employment with Caltex on 9 May 2014. As Mr Smith resigned he forfeited all outstanding CEIP LTI awards on cessation of employment. However, as he had satisfied the six month service condition on his STI Deferred shares, these shares were released to Mr Smith, although these shares remain subject to clawback until 1 April 2015.

As Mr Smith resigned prior to the completion of the supply chain realignment strategy, the remaining payments due under the retention plan were forfeited (worth approximately $563,160).

Given Mr Smith's long experience with the Kurnell refinery, the Board determined that it would still require his services to assist with the closure of the refinery and its subsequent conversion (the Project). Accordingly, a consultancy agreement was signed with Mr Smith for his services associated with the Project. Under this agreement, a payment was made to Mr Smith in February 2015 of $280,000 for his consultancy services associated with the successful closure of the Kurnell refinery.

3. Senior Executive remuneration (continued)

3j. Link between company performance and executive remuneration

The link between executive remuneration and company performance is outlined in various parts of this report. This includes section 1 where the 2014 remuneration outcomes are communicated, and section 3 where the short term and long term performance measures are explained, including why the measures have been chosen and how they relate to the performance of the business.

Table 3 below outlines Caltex's TSR, dividend, share price, earnings per share and RCOP NPAT performance each year from 2010 to 2014 together with the linkage to actual STI and LTI outcomes.

Table 3. Link between company performance and executive remuneration (unaudited)

Summary of performance over 2010-2014	2014	2013	2012	2011	2010
12 month TSR %[(i)]	74.1	6.1	66.6	(15.0)	61.0
Dividends (cents per share)	70c	34c	40c	45c	60c
Share price[(ii)]	$34.21	$20.05	$19.21	$11.77	$14.37
RCOP excluding significant items earnings per share	$1.83	$1.23	$1.70	$0.98	$1.18
RCOP NPAT excluding significant items (million) [(iii)]	$493	$332	$458	$264	$318
Caltex Safety – TTIFR [(iv)]	1.76	1.36	2.86	2.53	2.95
Caltex Safety – LTIFR [(v)]	0.77	0.63	0.59	0.99	1.23
Link to remuneration					
STI - percentage of business plan RCOP NPAT target achieved	125%	76%	137%	82.5%	130%
STI - funding of STI pool (relative to target)	127%	0%	144%	94%	147%
LTI - percentage vesting three years after grant date					
Year of grant	*2012*	*2011*	*2010*	*2009*	*2008*
Percentage of grant vesting	88.9%	42.3%	77.8%	82.2%	50%

Notes:

(i) TSR is calculated as the change in share price for the year, plus dividends announced for the year, divided by the opening share price. TSR is a measure of the return to shareholders in respect to each financial year.
(ii) The price quoted is the trading price for the last day of trading (31 December) in each calendar year.
(iii) Measured using the RCOP method which excludes the impact of the rise or fall in oil prices (a key external factor) and excludes significant items as determined by the Board.
(iv) TTIFR – Total Treatable Injury Frequency Rate.
(v) LTIFR – Lost Time Injury Frequency Rate.

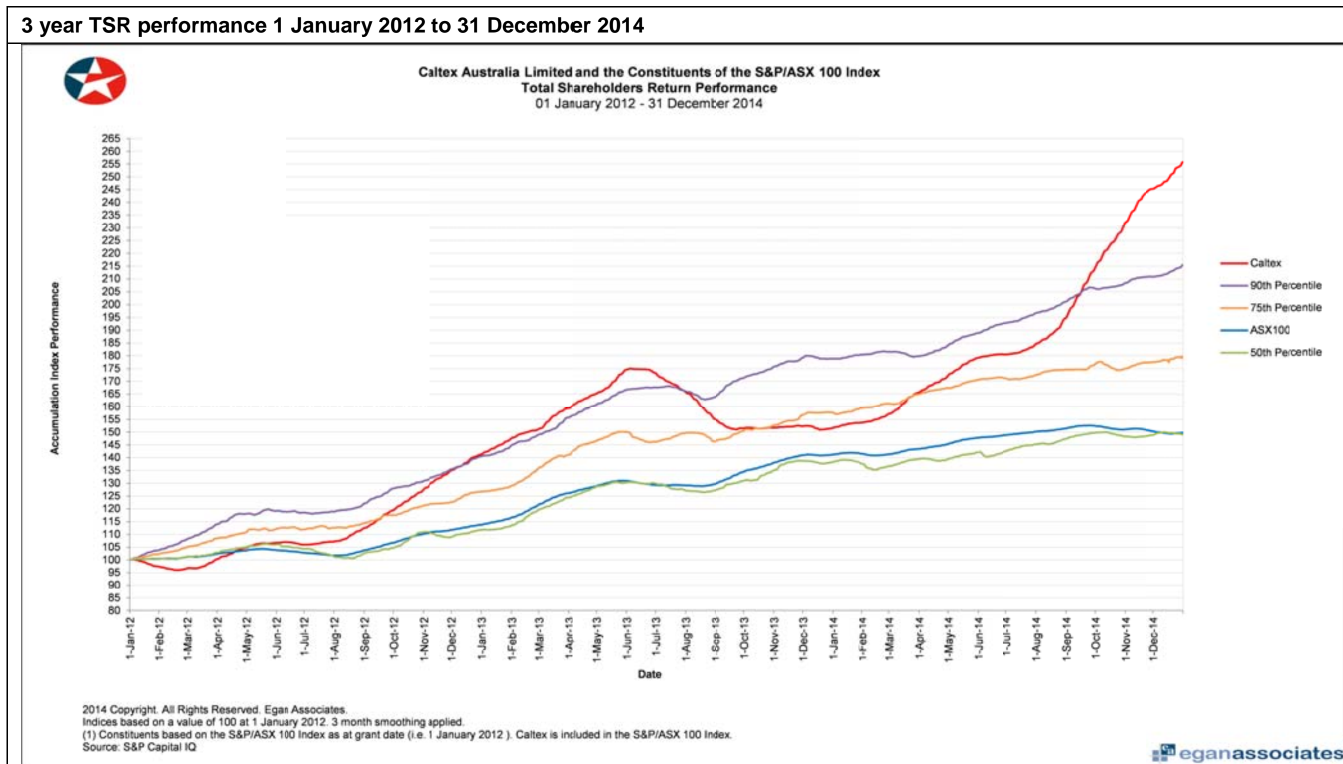
The 2014 executive remuneration outcomes are outlined further below, both in terms of "actual remuneration earned" (table 4a) and statutory remuneration disclosures (table 4b).

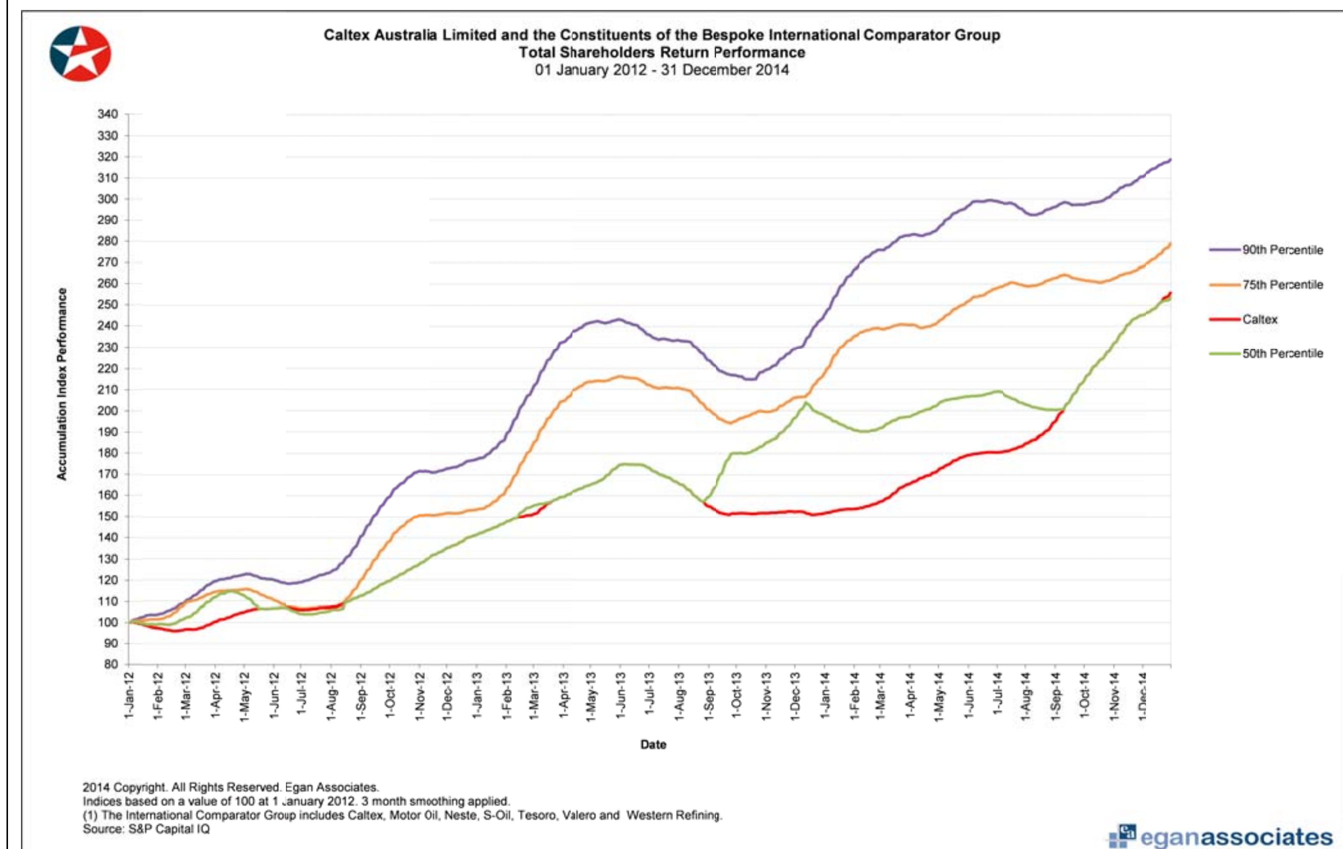
3. Senior Executive remuneration (continued)

3j. Link between company performance and executive remuneration (continued)

The two charts below provide a comparison of Caltex's three year TSR compared to S&P/ASX 100 companies and to the six international marketing and refining companies. This reflects the 2012 LTI grant where performance is measured over the period from 1 January 2012 to 31 December 2014. As seen, Caltex's three year TSR is well above the 90th percentile of the S&P/ASX 100 peer group, and above the median of the international marketing and refining company peer group.

3 year TSR performance 1 January 2012 to 31 December 2014



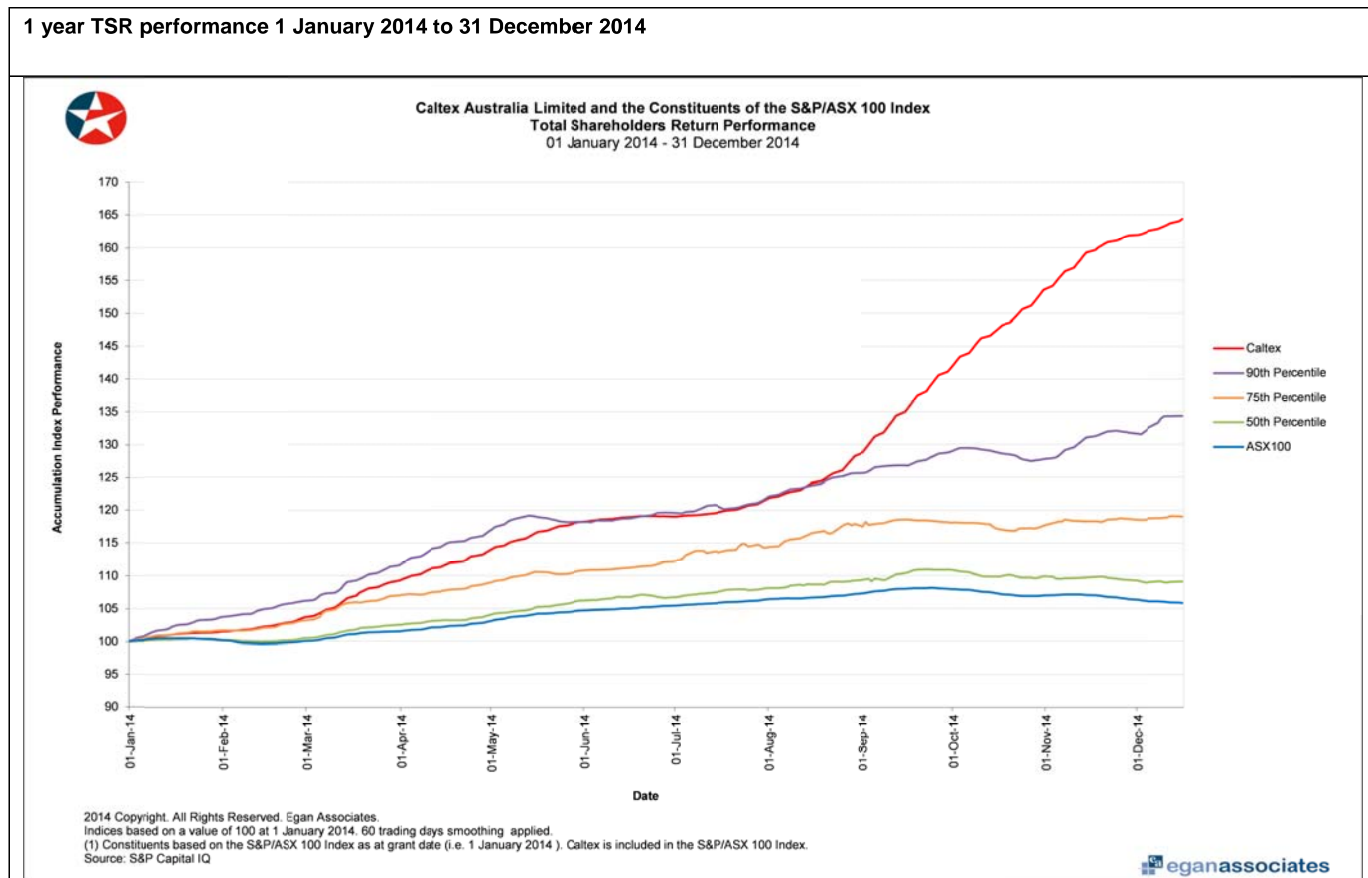


3. Senior Executive remuneration (continued)

3j. Link between company performance and executive remuneration (continued)

The chart below provides a comparison of Caltex's one year TSR performance compared to S&P/ASX 100 companies over the period from 1 January 2014 to 31 December 2014. This reflects the current status of the 2014 LTI grant. As seen, the Caltex TSR was well above the 90th percentile over 2014. The 2014 LTI grant is not assessed against an international marketing and refining company peer group.

1 year TSR performance 1 January 2014 to 31 December 2014



3. Senior Executive remuneration (continued)

3k. Remuneration tables

Table 4a. Total remuneration earned for Senior Executives in 2014 (unaudited, non-statutory disclosures)

The following table sets out the actual remuneration earned by Senior Executives in 2014, from an individual perspective. The value of remuneration includes the equity grants where the Senior Executive received control of the shares in 2014.

The purpose of this table is to provide a summary of the "past" and "present" remuneration outcomes received in either cash or in the form of equity granted in prior years which has vested in 2014. As a result, the values in this table will not reconcile with those provided in the statutory disclosures in table 4b. For example, table 4b discloses the value of grants in the CEIP which may or may not vest in future years, whereas this table discloses the value of grants from previous years which vested in 2014.

No deferred STI vested in 2014 as no bonuses were paid in 2013.

	Salary and fees (i)	Fixed other remuneration (iii)	Bonus (STI) (iv)	Deferred STI vested in the year	LTI vested during the year (v)	Remuneration "earned" for 2014
Current Senior Executives						
Julian Segal (MD & CEO) (ii)						
2014	2,047,453	236,744	949,862	-	1,767,862	5,001,921
Andrew Brewer (General Manager - Supply Chain Operations) (ii) (vi)						
2014	436,467	120,588	258,587	-	165,260	980,902
Simon Hepworth (Chief Financial Officer)						
2014	713,823	147,206	351,563	-	373,151	1,585,743
Peter Lim (General Manager – Legal & Corporate Affairs) (ii)						
2014	480,356	77,684	203,698	-	102,640	864,378
Mike McMenamin (General Manager – Strategy, Planning & Development) (ii)						
2014	553,699	54,736	357,286	-	259,761	1,225,482
Bruce Rosengarten (General Manager – Marketing) (ii)						
2014	761,669	76,344	300,384	-	-	1,138,397
Simon Willshire (General Manager – Human Resources) (ii)						
2014	506,611	61,400	217,636	-	254,883	1,040,530
Former Senior Executive						
Gary Smith (General Manager - Refining & Supply) (ii) (vii)						
2014	337,977	15,256	-	-	401,860	755,093
Total remuneration: Senior Executives						
2014	5,838,055	789,958	2,639,016	-	3,325,417	12,592,446

Notes:

(i) Salary and fees comprises base salary, and cash payments in lieu of employer superannuation (on base salary and/or on STI payments made in respect of the 2014 performance year paid in 2015).

(ii) These Senior Executives elect to receive an equivalent cash payment in lieu of employer superannuation that is in excess of the quarterly Superannuation Guarantee Maximum.

(iii) Fixed other remuneration includes the cash value of non-monetary benefits, superannuation, annual leave and long service leave entitlements. It also includes any fringe benefits tax payable on non-monetary benefits.

(iv) The bonus amounts are the cash component (66.6%) of the STI to be received for the 2014 year, which will be paid in April 2015. 33.3% of the STI will be deferred and restricted for two years. The exception is Mr McMenamin who will receive 100% of his STI in cash, with 33.3% of the payment subject to clawback, due to his redundancy shortly after the Deferred STI shares would have been granted.

(v) Equity based plans from prior years that have vested in the current year. The value is calculated using the closing share price of Caltex shares on the vesting date. The 2014 figures reflect the TSR performance for the 2011 awards, which resulted in 42.3% of these performance rights vesting during 2014.

(vi) Mr Brewer's remuneration relates to the period from 31 March 2014 when he was appointed General Manager - Supply Chain Operations and became a KMP.

(vii) Mr Smith's remuneration relates to the period from 1 January 2014 up until his resignation took effect on 9 May 2014.

3. Senior Executive remuneration (continued)

3k. Remuneration tables

Table 4b. Total remuneration for Senior Executives in 2014 (statutory disclosures)

The following table sets out the audited total remuneration for Senior Executives in 2013 and 2014, calculated in accordance with statutory accounting requirements:

	Primary			Post-employment	Other long term	Equity		Total
	Salary and fees (i)	Bonus (short term incentive) (iii)	Non-monetary benefits (iv)	Superannuation	Other (v)	Share benefits (short term incentive)	Rights benefits (long term incentive) (vi)	
Current Senior Executives								
Julian Segal (MD & CEO) (ii)								
2014	**2,188,995**	**949,862**	**12,756**	**25,000**	**57,445**	**259,053**	**2,198,465**	**5,691,576**
2013	2,012,184	-	13,657	25,000	91,130	196,723	1,853,110	4,191,804
Andrew Brewer (General Manager - Supply Chain Operations) (ii) (vii)								
2014	**468,463**	**258,587**	**8,345**	**20,700**	**59,546**	**70,524**	**216,732**	**1,102,897**
2013	-	-	-	-	-	-	-	-
Simon Hepworth (Chief Financial Officer)								
2014	**740,351**	**351,563**	**15,570**	**68,851**	**36,257**	**95,881**	**485,512**	**1,793,985**
2013	704,067	-	14,403	95,097	17,615	74,595	399,720	1,305,497
Peter Lim (General Manager – Legal & Corporate Affairs) (ii)								
2014	**485,218**	**203,698**	**17,213**	**27,000**	**28,609**	**55,554**	**293,916**	**1,111,208**
2013	488,889	-	15,396	24,001	13,469	44,683	202,670	789,108
Mike McMenamin (General Manager – Strategy, Planning & Development) (ii)								
2014	**554,141**	**357,286**	**15,059**	**18,279**	**20,956**	**-**	**344,375**	**1,310,096**
2013	530,955	-	15,154	24,235	12,478	53,184	283,395	919,401
Bruce Rosengarten (General Manager – Marketing) (ii) (viii)								
2014	**799,361**	**300,384**	**13,252**	**25,400**	**-**	**349,496**	**131,094**	**1,618,987**
2013	438,023	241,958	5,128	5,100	1,438	31,522	-	723,169
Simon Willshire (General Manager – Human Resources) (ii)								
2014	**520,698**	**217,636**	**13,173**	**18,279**	**15,862**	**59,355**	**319,382**	**1,164,385**
2013	495,477	-	12,712	17,122	11,605	48,986	268,111	854,013
Former Senior Executives								
Gary Smith (General Manager - Refining & Supply) (ii)(ix)								
2014	**337,977**	**-**	**6,369**	**8,887**	**-**	**-**	**21,606**	**374,839**
2013	885,160	-	13,428	17,122	266,727	122,853	428,893	1,734,183
Andy Walz (General Manager - Marketing) (x)								
2014	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2013	397,716	208,051	425,595	34,001	313,258	-	-	1,378,621
Total remuneration: Senior Executives								
2014	**6,095,204**	**2,639,016**	**101,737**	**212,396**	**218,675**	**889,863**	**4,011,082**	**14,167,973**
2013	5,952,471	450,009	515,473	241,678	727,720	572,546	3,435,899	11,895,796

Notes:

(i) Salary and fees include base salary, cash payments in lieu of employer superannuation on base salary, and annual leave accruals

(ii) These executives elect to receive an equivalent cash payment in lieu of employer superannuation that is in excess of the quarterly Superannuation Guarantee Maximum.

(iii) No STI was awarded to Senior Executives for the 2013 Performance Year due to the company failing to meet the required profit threshold under the Rewarding Results Plan.

(iv) The non-monetary benefits received by Senior Executives include car parking benefits, employee StarCard benefits, the payment of the default premiums for death and total and permanent disability insurance cover and related FBT payments made by Caltex.

(v) Other long term remuneration represents long service leave for all Senior Executives and the accrual of retention payments for Mr Smith (in 2013 only).

(vi) These values have been calculated under Accounting Standards and as such the value may not represent the future value that may (or may not) be received by the Senior Executive as the vesting of the performance rights is subject to the achievement of service based and performance based vesting conditions.

(vii) Mr Brewer's 2014 remuneration relates to the period from 31 March 2014 when he was appointed General Manager - Supply Chain Operations and became a KMP.

(viii) Mr Rosengarten's 2013 remuneration relates to the period from 1 November 2013 when he was appointed General Manager - Marketing. The salary and fees amount paid to Mr Rosengarten in 2013 includes one off payments of relocation assistance totalling $248,357. The Bonus (short term incentive) amount relates to the pro-rated STI paid in lieu of the STI forgone with his prior employer.

(ix) Mr Smith's 2014 remuneration relates to the period from 1 January 2014 up until 9 May 2014 when his resignation took effect. His 2013 salary and fees include a retention payment.

(x) Mr Walz's 2013 remuneration relates to the period from 1 January 2013 to 31 May 2013 when his secondment with Caltex from Chevron concluded.

3. Senior Executive remuneration (continued)

3k. Remuneration tables (continued)

Table 5. Unvested shareholdings of Senior Executives during 2014

Current Senior Executives	Unvested shares at 31 Dec 2013	Restricted shares granted (ii)	Shares vested from prior performance years (iii)	Forfeited	Unvested shares at 31 Dec 2014
Julian Segal	-	13,883	-	-	13,883
Andrew Brewer	-	3,779	-	-	3,779
Simon Hepworth	-	5,138	-	-	5,138
Peter Lim	-	2,977	-	-	2,977
Mike McMenamin	-	-	-	-	-
Bruce Rosengarten	33,864 (i)	4,390	-	-	38,254
Simon Willshire	-	3,181	-	-	3,181
Former Senior Executive					
Gary Smith	-	-	-	-	-

Notes:
(i) The restricted shares awarded to Mr Rosengarten represent the grant received on commencement with Caltex in lieu of the LTI forgone with his previous employer (refer to section 3i for further detail). If Mr Rosengarten meets the service conditions, the shares will vest in November 2015 (50%) and November 2016 (50%).
(ii) Restricted shares granted represents the 2014 STI deferred into equity (33.3%). The shares will be purchased in 2015 and will vest in October 2015. The shares will be subject to a six month service related forfeiture condition and a two year dealing restriction from the date of grant. This disclosure represents the estimated number of shares to be acquired at that time. The exception is Mr McMenamin who will receive 100% of his STI in cash, with 33.3% of the payment subject to clawback, due to his redundancy shortly after the restricted shares would have been granted.
(iii) No restricted shares vested in 2014 (as no STI Deferred shares were granted given that no STI was paid for the 2013 Performance Year).

Table 6a. Restricted share grants to Senior Executives in 2014 - STI

The following table provides an estimate of the future cost to Caltex of unvested restricted shares based on the progressive vesting of the STI deferred shares. Of the 2014 STI deferred shares, no shares have vested and the estimated future cost has been provided.

Senior Executives	Deferred STI year	Vested (% of shares vested)	Future years when shares will vest	Future cost to Caltex of unvested shares ($)
Julian Segal	2014	0%	2015	215,878
Andrew Brewer	2014	0%	2015	58,770
Simon Hepworth	2014	0%	2015	79,901
Peter Lim	2014	0%	2015	46,295
Mike McMenamin	2014	-	2015	-
Bruce Rosengarten	2014	0%	2015	68,269
Simon Willshire	2014	0%	2015	49,463

3. Senior Executive remuneration (continued)

3k. Remuneration tables (continued)

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

The following table provides an estimate of the future cost to Caltex of unvested restricted shares based on the progressive vesting of the restricted shares, where the shares were not awarded under the STI Deferral plan. No new awards of restricted shares were made during 2014. One award was made to the General Manager - Marketing in 2013 on commencement of employment in lieu of the unvested LTI which lapsed on his resignation with his prior employer. As no shares have vested the estimated future cost has been provided.

Senior Executive	Type of award	Year of award	Vested (% of shares vested)	Future years when shares will vest	Future cost to Caltex of unvested shares ($)
Bruce Rosengarten	Sign-on	2013	0%	2015 (50%) 2016 (50%)	330,873

Table 7. 2014 Senior Executive performance rights

Long term incentives for Senior Executives are awarded as performance rights under the CEIP as explained in section 3e. The following table sets out details of movements in performance rights held by Senior Executives during the year, including details of the performance rights that vested.

Current Senior Executives	Performance rights at 1 Jan 2014[(i)]	Granted in 2014 [(ii)]	Vested in 2014	Lapsed in 2014[(iii)]	Balance at 31 Dec 2014
Julian Segal	642,160	161,815	(81,900)	(111,764)	610,311
Andrew Brewer	61,014	26,805	(7,656)	(10,448)	69,715
Simon Hepworth	139,529	36,320	(17,287)	(23,593)	134,969
Peter Lim	71,165	22,785	(4,755)	(6,491)	82,704
Mike McMenamin	98,337	25,910	(12,034)	(16,424)	95,789
Bruce Rosengarten	-	34,165	-	-	34,165
Simon Willshire	92,916	23,675	(11,808)	(16,116)	88,667
Former Senior Executive					
Gary Smith	148,711	-	(18,617)	(130,094)	-

Notes:

(i) For 2012 and 2013 performance rights, if the service based and performance based vesting conditions are achieved, these performance rights will vest in 2015 and 2016 respectively.

(ii) For the 2014 performance rights, if the service based and performance based vesting conditions are achieved, these performance rights will vest in 2017.

(iii) Relates to 2011 performance rights of which 57.7% lapsed in the year and 42.3% vested.

3. Senior Executive remuneration (continued)

3k. Remuneration tables (continued)

Table 8. Valuation assumptions of performance rights granted

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

	2014 grant		2013 grant		2012 grant	
Peer group	**S&P/ASX 100**	**FCF and strategic measures**	**S&P/ASX 100**	**FCF and strategic measures**	**S&P/ASX 100**	**International refining and marketing companies**
Grant date	7 April 2014	7 April 2014	22 April 2013	22 April 2013	2 April 2012	2 April 2012
Vesting date	1 April 2017	1 April 2017	1 April 2016	1 April 2016	1 April 2015	1 April 2015
Exercise price	Nil	Nil	Nil	Nil	Nil	Nil
Volatility	35%	35%	40%	40%	45%	45%
Risk free interest rate	3.02%	3.02%	2.7%	2.7%	3.49%	3.49%
Dividend yield	2.7%	2.7%	2.0%	2.0%	4.7%	4.7%
Expected life (years)	3.0	3.0	2.9	2.9	3.0	3.0
Share price at grant date	$21.85	$21.85	$20.60	$20.60	$14.03	$14.03
Valuation per right	$12.57	$20.16	$10.98	$19.42	$7.69	$7.52

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

Table 9. Distribution of 2014 fixed and variable elements of remuneration

The proportion of each Senior Executive's remuneration for 2014 that was fixed, and the proportion that was subject to a performance condition, is outlined below. The percentages are based on the 2014 statutory remuneration disclosures and do not correspond to the target remuneration percentages outlined earlier in this report in section 3b.

Current Senior Executives	**Fixed**	**Variable (including short and long term incentive payments)**
Julian Segal	40%	60%
Andrew Brewer	51%	49%
Simon Hepworth	48%	52%
Peter Lim	50%	50%
Mike McMenamin	46%	54%
Bruce Rosengarten	52%	48%
Simon Willshire	49%	51%
Former Senior Executive		
Gary Smith	51%	49%

3. Senior Executive remuneration (continued)

3k. Remuneration tables (continued)

Table 10. FY14 STI Plan payment results

The following table sets out the FY14 STI awards, compared to FY13, as a percentage of the Senior Executive's maximum STI opportunity.

Current Senior Executives	2014	2013
Julian Segal	72%	0%
Andrew Brewer	71%	0%
Simon Hepworth	71%	0%
Peter Lim	71%	0%
Mike McMenamin	73%	0%
Bruce Rosengarten	64%	n/a
Simon Willshire	73%	0%
Former Senior Executive		
Gary Smith[(i)]	n/a	0%
Average	**71%**	**0%**

Note:

(i) Mr Smith ceased employment on 9 May 2014 and was therefore not entitled to a 2014 STI award.

4. Non-executive Director fees

4a. Our approach to Non-executive Director fees

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

Under the Caltex Constitution and the ASX Listing Rules, the total annual fee pool for Non-Executive Directors is determined by shareholders. Within this aggregate amount, Non-executive Director fees are reviewed by the Human Resources Committee, taking into account recommendations from an independent remuneration consultant, and set by the Board.

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

The Non-executive Directors' fees are fixed. The Non-executive Directors do not participate in any Caltex incentive plan. Caltex does not have a retirement plan for Non-executive Directors.

4b. Board and Committee fees for 2014

The current maximum annual fee pool for Non-executive Directors is $2 million, including statutory entitlements. This amount was approved by shareholders at the 2010 Annual General Meeting.

4. Non-executive Director fees (continued)

4b. Board and Committee fees for 2014 (continued)

Table 11. 2014 Non-executive Directors' fees

The following table contains the 2014 Non-executive Director fees. As disclosed in Caltex's 2013 Remuneration Report, the fees for the Chairmen and members of the Human Resources Committee and the OHS & Environmental Risk Committee increased from 1 January 2014 to align with the fees paid to the Chairman and members of the Audit Committee. The increase in these fees reflects the equivalent complexity and workload requirements of the Human Resources Committee and the Audit Committee, and the critical importance of the OHS & Environmental Risk Committee given the industry in which Caltex operates. All other fees remained unchanged from 2013.

	Board		Committees[(i)]	
	Chairman	Member	Chairman	Member
Fee[(ii)]	$465,000	$155,000	$36,000	$18,000

Notes:

(i) Comprising the Audit Committee, Human Resources Committee, and OHS & Environmental Risk Committee. No fees are paid for the Nomination Committee.

(ii) Caltex pays superannuation for Australian based Non-executive Directors in addition to the above fees. From 1 July 2014, the superannuation rate is 9.5%.

Mr Brown, Ms Burger and Mr Krogmeier each act as alternate directors for each other, but they do not receive any additional Board or Committee fees for acting as alternate directors.

4c. Remuneration table

Table 12. Non-executive Director fees in 2014 (statutory disclosures)

The following table sets out the audited Non-executive Director fees in 2013 and 2014 calculated in accordance with statutory accounting requirements. Non-executive Directors are not eligible to receive any cash based or equity based incentives.

	Primary		Post-employment	Other long term	Total
	Salary and fees	Non-monetary benefits	Superannuation [(i)]	Other	
Current Non-executive Directors					
Elizabeth Bryan (Chairman)					
2014	**490,315**	**389**	**18,279**	**-**	**508,983**
2013	490,309	384	17,122	-	507,815
Trevor Bourne					
2014	**227,000**	**962**	**21,281**	**-**	**249,243**
2013	215,125	1,276	19,629	-	236,030
Richard Brown					
2014	**155,000**	**-**	**-**	**-**	**155,000**
2013	155,000	-	-	-	155,000
Barbara Burger					
2014	**173,000**	**-**	**-**	**-**	**173,000**
2013	168,000	-	-	-	168,000
Greig Gailey					
2014	**227,000**	**615**	**21,281**	**-**	**248,896**
2013	217,000	622	19,801	-	237,423
Ryan Krogmeier					
2014	**173,000**	-	-	-	**173,000**
2013	170,500	-	-	-	170,500
Bruce Morgan					
2014	**227,000**	**781**	**21,281**	**-**	**249,062**
2013	111,855	195	10,344	-	122,394
Former Non-executive Director					
John Thorn					
2014	**-**	**-**	**-**	**-**	**-**
2013	86,310	479	6,808	-	93,597
Total: Non-executive Directors					
2014	**1,672,315**	**2,747**	**82,122**	**-**	**1,757,184**
2013	1,614,099	2,956	73,704	-	1,690,759

Note:

(i) Superannuation contributions are made on behalf of Australian based Non-executive Directors to satisfy Caltex's obligations under the Superannuation Guarantee legislation. Fees paid to Australian based Non-executive Directors may be subject to fee sacrifice arrangements for superannuation. Non-executive Directors may direct Caltex to pay superannuation contributions referable to fees in excess of the maximum earnings base as cash.

5. Shareholdings of Key Management Personnel

The movement during the reporting period in the number of shares of Caltex Australia Limited held directly or indirectly by each KMP, including their personally related entities, is below:

31 December 2014	Held at 31 Dec 2013	Purchased	Vested	Sold	Held at 31 Dec 2014
Non-executive Directors					
Elizabeth Bryan	**14,946**	**-**	**-**	**-**	**14,946**
Trevor Bourne	**5,395**	**-**	**-**	**-**	**5,395**
Richard Brown	**-**	**-**	**-**	**-**	**-**
Barbara Burger	**-**	**-**	**-**	**-**	**-**
Greig Gailey	**5,000**	**-**	**-**	**-**	**5,000**
Ryan Krogmeier	**-**	**-**	**-**	**-**	**-**
Bruce Morgan	**10,500**	**-**	**-**	**-**	**10,500**
Senior Executives					
Julian Segal	**120,583**	**-**	**81,900**	**(53,933)**	**148,550**
Andrew Brewer	**27,825**	**-**	**7,656**	**(10,469)**	**25,012**
Simon Hepworth	**21,352**	**-**	**17,287**	**(26,800)**	**11,839**
Peter Lim	**10,669**	**-**	**4,755**	**-**	**15,424**
Mike McMenamin	**10,622**	**-**	**12,034**	**(22,656)**	**-**
Bruce Rosengarten	**-**	**-**	**-**	**-**	**-**
Gary Smith	**16,516**	**-**	**18,617**	**(25,604)**	**9,529**
Simon Willshire	**10,143**	**-**	**11,808**	**(16,794)**	**5,157**

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

6. Other Key Management Personnel transactions

Apart from as disclosed in the indemnity section of the Directors' Report, no KMP have entered into a material contract, loan or other transaction with any entity in the Caltex Group during the year ended 31 December 2014 (2013: nil).

During 2014, Ms Bryan was a director of Westpac Banking Corporation. The business relationship between Caltex and Westpac Banking Corporation has been in place for many years and transactions undertaken during 2014 were on normal commercial terms.

Also during 2014:

- Ms Bryan was a director of Insurance Australia Group Limited in December 2014; transactions with this company and (where relevant) its subsidiaries during 2014 were on normal commercial terms.
- Mr Bourne was a director of Senex Energy Limited and Sydney Water Corporation; transactions with these companies and (where relevant) their subsidiaries during 2014 were on normal commercial terms.
- Mr Morgan was a director of Origin Energy Limited and Sydney Water Corporation; transactions with these companies and (where relevant) their subsidiaries during 2014 were on normal commercial terms.

Directors' interests

The directors' relevant interests in the shares of Caltex Australia Limited at 31 December 2014 are set out in the following table.

DIRECTOR	SHAREHOLDING	NATURE OF INTEREST
Elizabeth Bryan	14,946	Direct interest
Julian Segal	148,550	Direct interest (127,911 shares); indirect interest (20,639 shares). Mr Segal also has a direct interest in 610,311 performance rights.
Trevor Bourne	5,395	Direct interest (2,395 shares); indirect interest (3,000 shares)
Richard Brown	Nil	n/a
Barbara Burger	Nil	n/a
Greig Gailey	5,000	Indirect interest
Ryan Krogmeier	Nil	n/a
Bruce Morgan	10,500	Indirect interest
Note: No director has acquired or disposed of any relevant interests in the company's shares in the period from 1 January 2015 to the date of this Annual Report.		

Board and Committee meetings

The Board of Caltex Australia Limited met nine times during the year ended 31 December 2014. In addition, directors attended Board strategy sessions and workshops, site visits and special purpose committee meetings during the year.

In 2014, the Board convened the following standing committees:

- Audit Committee
- Human Resources Committee
- Nomination Committee
- OHS & Environmental Risk Committee.

Special purpose committees were convened on two occasions in 2014.

Board and Committee meetings (continued)

The number of Board and Committee meetings attended by each director during 2014 is set out in the following table.

DIRECTOR	BOARD[1]		AUDIT COMMITTEE		HUMAN RESOURCES COMMITTEE		NOMINATION COMMITTEE		OHS & ENVIRONMENTAL RISK COMMITTEE		OTHER[3]	
Current directors	**A[2]**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**
Elizabeth Bryan	9	9	-	-	-	-	3	3	-	-	8	8
Julian Segal	9	9	-	-	-	-	3	3	-	-	8	8
Trevor Bourne	9	8	4	4	4	4	3	3	4	4	5	5
Richard Brown	9	9	-	-	-	-	3	3	-	-	5	5
Barbara Burger	9	8	-	-	-	-	3	3	4	4	5	5
Greig Gailey	9	9	4	4	4	4	3	3	4	4	5	5
Ryan Krogmeier	9	9	-	-	4	4	3	3	-	-	5	5
Bruce Morgan	9	9	4	4	4	4	3	3	3	4	8	8

Notes:

A: Number of meetings eligible to attend.

B: Number of meetings attended.

[1] Includes one unscheduled Board meeting.
[2] All directors are invited to and regularly attend Committee meetings; this table lists attendance only where a director is a member of the relevant Committee.
[3] Includes Board strategy sessions, workshops, site visits and special purpose committee meetings.

Shares and interests

The total number of ordinary shares on issue at the date of this report and during 2014 is 270 million shares (2013: 270 million shares). The total number of performance rights on issue at the date of this report is 2,018,111 (2013: 2,437,647). 676,620 performance rights were issued during 2014 (2013: 667,640). 1,096,156 performance rights were distributed or lapsed during the year (2013: 1,137,307). On vesting, Caltex is required to allocate one ordinary share for each performance right. For each right that vests, Caltex will purchase a share on market following vesting.

Non-audit services

KPMG is the external auditor of Caltex Australia Limited and the Caltex Australia Group.

In 2014, KPMG performed non-audit services for the Caltex Australia Group in addition to its statutory audit and review engagements for the full year and half year.

KPMG received or was due to receive the following amounts for services performed for the Caltex Australia Group during the year ended 31 December 2014:

- for non-audit services – total fees of $78,500 (2013: $151,400); these services included taxation services ($43,700) and other assurance services ($34,800), and
- for audit services – total fees of $995,900 (2013: $919,400).

The Board has received a written advice from the Audit Committee in relation to the independence of KPMG, as external auditor, for 2014. The advice was made in accordance with a resolution of the Audit Committee.

The directors are satisfied that:

- the provision of non-audit services to the Caltex Australia Group during the year ended 31 December 2014 by KPMG is compatible with the general standard of independence for auditors imposed by the *Corporations Act*, and
- the provision of non-audit services during the year ended 31 December 2014 by KPMG did not compromise the auditor independence requirements of the *Corporations Act* for the following reasons:
  - the provision of non-audit services in 2014 was consistent with the Board's policy on the provision of services by the external auditor
  - the non-audit services provided in 2014 are not considered to be in conflict with the role of external auditor, and
  - the directors are not aware of any matter relating to the provision of the non-audit services in 2014 that would impair the impartial and objective judgement of KPMG as external auditor.

Company secretaries

The following persons served as company secretaries of Caltex Australia Limited and the Caltex Group during 2014.

Mr Peter Lim

Mr Lim is Caltex's General Manager – Legal & Corporate Affairs. In this role, he serves as Company Secretary to the Board, as Committee Secretary for the Nomination Committee, and as a company secretary for various companies in the Caltex Group.

Mr Lim was appointed to the Caltex Board as Company Secretary in April 2011. Mr Lim joined Caltex in 2006 after spending a number of years as a lawyer in private practice. He was appointed to the role of Assistant General Counsel in 2009 and was later appointed Company Secretary and General Counsel (January 2012).

Mr Lim holds a Bachelor of Commerce and a Bachelor of Laws from the University of New South Wales.

Ms Katie King

Ms King served as Assistant Company Secretary for part of 2014, having been appointed as a company secretary of Caltex Australia Limited from 27 October 2011. She also served as Committee Secretary for the Audit Committee, the Human Resources Committee and the OHS & Environmental Risk Committee, and was a company secretary of various companies in the Caltex Group.

Ms King holds a Bachelor of Commerce from the University of New South Wales, and is a member of the Governance Institute of Australia and the Institute of Chartered Accountants in Australia.

Ms King resigned as Company Secretary in December 2014.

Company secretaries (continued)

John Remedios

Mr Remedios served as Assistant Company Secretary for part of 2014, having been appointed as a company secretary of Caltex Australia Limited from 28 March 2014. He also served as company secretary of various companies in the Caltex Group.

Mr Remedios holds Bachelor of Economics and Bachelor of Law (Hons.) degrees from the University of Sydney and is a member of the Law Society of New South Wales.

Mr Remedios resigned as Company Secretary in December 2014.

Nawal Silfani

Ms Silfani joined Caltex in 2014 was appointed to the Caltex Board as Company Secretary in December 2014. She serves as Committee Secretary for the Audit Committee, the Human Resources Committee and the OHS & Environmental Risk Committee, and is a company secretary of various companies in the Caltex Group.

Ms Silfani previously held similar roles in high profile ASX 100 companies and has extensive experience at a top tier Australian law firm, where she focused on corporate law and governance.

Ms Silfani holds various undergraduate and postgraduate qualifications in law, corporate governance and risk, including a Master of Laws from the University of Sydney, and she is a member of the Australian Institute of Company Directors, the Australian Corporate Lawyers Association and the Governance Institute of Australia.

Indemnity and insurance

Constitution

The Constitution of Caltex Australia Limited provides that, to the extent permitted by law and subject to the restrictions in sections 199A and 199B of the *Corporations Act*, Caltex Australia Limited indemnifies every person who is or has been a director or secretary of the company or of a subsidiary at the request of the Board of Caltex Australia Limited. The indemnities cover against:

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

Deeds of indemnity and insurance

During the year ended 31 December 2014, Caltex Australia Limited entered into a deed of access, insurance and indemnity with John Remedios on his appointment as a company secretary. Deeds of access, insurance and indemnity have previously been entered into by Caltex Australia Limited with current and former directors and secretaries.

Under the deeds, Caltex Australia Limited has agreed, in broad terms, to indemnify its directors and company secretaries (to the extent permitted by law and subject to the prohibitions in section 199A of the *Corporations Act* and the terms of the deed) against any and all:

- liabilities incurred as an officer of Caltex Australia Limited or a Group company (but not including liabilities for legal costs covered by the legal costs indemnity), and
- legal costs reasonably incurred in defending an action for a liability incurred or allegedly incurred as an officer of Caltex Australia Limited or a Group company and preparing for, attending or appearing in administrative proceedings or an investigation or inquiry by any regulatory authority or external administrator in respect of or arising out of or connected with any act.

Indemnity and insurance (continued)

Deeds of indemnity and insurance (continued)

Under the deeds entered into with directors and company secretaries, Caltex Australia Limited (either itself or through a Group company) is required to maintain and pay the premium on an insurance policy covering each director and company secretary (to the extent permitted by law and subject to the prohibitions in sections 199B and 199C of the *Corporations Act*). In each case, the obligation continues for a period of seven years after the director or secretary (as the case may be) ceases to be an officer or, if a proceeding or an inquiry has commenced or arises within this seven year period and this has been notified to the company, a further period up to the outcome of the proceedings or inquiry or when the company is satisfied that the proceedings or inquiry will not proceed.

Contract of insurance

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

Details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability insurance has not been disclosed as such disclosure is prohibited under the terms of the contract.

Rounding of amounts

Caltex Australia Limited is an entity to which ASIC Class Order 98/100 (CO98/100) applies. Amounts in the 2014 Directors' Report and the 2014 Financial Report have been rounded off to the nearest thousand dollars (unless otherwise stated) in accordance with CO98/100.

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

EB Bryan AM
Chairman

J Segal
Managing Director & CEO

Sydney, 23 February 2015

Lead Auditor's Independence Declaration

under section 307C of the *Corporations Act 2001*

To: The directors of Caltex Australia Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 December 2014 there have been:

(i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Greg Boydell

Partner

Sydney, 23 February 2015

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

Liability limited by a scheme approved under Professional Standards Legislation.

Directors' Declaration

The Board of Caltex Australia Limited has declared that:

(a) the directors have received the declarations required by section 295A of the *Corporations Act* from the Managing Director & CEO and the Chief Financial Officer for the year ended 31 December 2014

(b) in the directors' opinion, the financial statements and notes for the year ended 31 December 2014, and the Remuneration Report, are in accordance with the *Corporations Act*, including:

  (i) section 296 (compliance with Accounting Standards), and

  (ii) section 297 (true and fair view)

(c) in the directors' opinion, there are reasonable grounds to believe that Caltex Australia Limited will be able to pay its debts as and when they become due and payable

(d) a statement of compliance with International Financial Reporting Standards has been included in note 1(a) to the financial statements, and

(e) at the date of this declaration, there are reasonable grounds to believe that the companies in the Caltex Australia Group that are parties to the Deed of Cross Guarantee dated 22 December 1992 with Caltex Australia Limited (including companies added by Assumption Deed), as identified in note 22 of the 2014 Financial Report, will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the Deed of Cross Guarantee.

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

EB Bryan AM
Chairman

J Segal
Managing Director & CEO

Sydney, 23 February 2015

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

Report on the financial report

We have audited the accompanying financial report of Caltex Australia Limited (the Company), which comprises the consolidated balance sheet as at 31 December 2014, and consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year ended on that date, notes 1 to 32 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

(a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 31 December 2014 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1.

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

Liability limited by a scheme approved under Professional Standards Legislation.

Independent auditor's report to the members of Caltex Australia Limited (continued)

Report on the remuneration report

We have audited the Remuneration Report included in pages 23 to 50 of the directors' report for the year ended 31 December 2014. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Caltex Australia Limited for the year ended 31 December 2014, complies with Section 300A of the *Corporations Act 2001*.

KPMG

Greg Boydell
Partner

Sydney

23 February 2015

Consolidated income statement

for the year ended 31 December 2014

Thousands of dollars	Note	2014	2013
Revenue	2	**24,231,200**	24,676,383
Replacement cost of goods sold (excluding product duties and taxes and inventory (losses)/gains)		**(16,951,754)**	(17,912,406)
Product duties and taxes		**(5,262,166)**	(5,126,439)
Inventory (losses)/gains		**(515,694)**	246,445
Cost of goods sold - historical cost		**(22,729,614)**	(22,792,400)
Gross profit		**1,501,586**	1,883,983
Other income	2	**726**	44,881
Net foreign exchange losses		**(21,730)**	(77,876)
Supply chain expenses		**(328,265)**	(242,632)
Marketing expenses		**(779,759)**	(731,302)
Other expenses		**(231,771)**	(52,880)
Results from operating activities		**140,787**	824,174
Finance costs	3	**(119,604)**	(97,675)
Finance income	3	**8,234**	8,884
Net finance costs		**(111,370)**	(88,791)
Share of net profit of entities accounted for using the equity method	23(d)	**917**	158
Profit before income tax expense		**30,334**	735,541
Income tax expense	4	**(7,664)**	(206,784)
Net profit		**22,670**	528,757
Profit/(loss) attributable to:			
Equity holders of the parent entity		**19,931**	530,028
Non-controlling interest		**2,739**	(1,271)
Net profit		**22,670**	528,757
Basic and diluted earnings per share:			
Historical cost – cents per share	6	**7.4**	196.3

The consolidated income statement for the year ended 31 December 2014 includes significant losses of $160,163,000 (2013: $27,763,000 gain). Details of these items are disclosed in note 3.

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

Consolidated statement of comprehensive income

for the year ended 31 December 2014

Thousands of dollars	Note	2014	2013
Profit for the period		**22,670**	528,757
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Actuarial gain on defined benefit plans	18(b)	**8,608**	30,470
Tax on items that will not be reclassified to profit or loss		**(2,582)**	(9,141)
Total items that will not be reclassified to profit or loss		**6,026**	21,329
Items that may be reclassified subsequently to profit or loss:			
Foreign operations - foreign currency translation differences		**1,446**	-
Effective portion of changes in fair value of cash flow hedges		**18,640**	88,206
Net change in fair value of cash flow hedges reclassified to profit or loss		**(8,299)**	(73,549)
Tax on items that may be reclassified subsequently to profit or loss		**(3,103)**	(4,397)
Total items that may be reclassified subsequently to profit or loss		**8,684**	10,260
Other comprehensive income for the period, net of income tax		**14,710**	31,589
Total comprehensive income for the period		**37,380**	560,346
Attributable to:			
Equity holders of the parent entity		**34,641**	561,617
Non-controlling interest		**2,739**	(1,271)
Total comprehensive income for the period		**37,380**	560,346

The consolidated statement of comprehensive income is to be read in conjunction with the notes to the financial statements.

Consolidated balance sheet
as at 31 December 2014

Thousands of dollars	Note	2014	2013
Current assets			
Cash and cash equivalents		**53,122**	199,922
Receivables	7	**837,672**	988,533
Inventories	8	**1,118,084**	2,027,857
Current tax assets		**56,704**	-
Other	9	**33,754**	35,416
Total current assets		**2,099,336**	3,251,728
Non-current assets			
Receivables	7	**3,246**	3,048
Investments accounted for using the equity method	23	**24,181**	23,863
Other investments	10	**3**	3
Intangibles	11	**188,188**	144,247
Property, plant and equipment	12	**2,363,672**	2,125,617
Deferred tax assets	4	**442,183**	469,890
Employee benefits	18	**6,719**	-
Other	9	**1,006**	2,474
Total non-current assets		**3,029,198**	2,769,142
Total assets		**5,128,534**	6,020,870
Current liabilities			
Payables	13	**1,175,515**	1,716,399
Interest bearing liabilities	14	**110**	71,404
Current tax liabilities		**-**	55,361
Employee benefits	18	**163,200**	146,210
Provisions	15	**165,075**	82,783
Total current liabilities		**1,503,900**	2,072,157
Non-current liabilities			
Payables	13	**7,642**	5,657
Interest bearing liabilities	14	**692,169**	870,921
Employee benefits	18	**59,253**	90,886
Provisions	15	**332,979**	384,217
Total non-current liabilities		**1,092,043**	1,351,681
Total liabilities		**2,595,943**	3,423,838
Net assets		**2,532,591**	2,597,032
Equity			
Issued capital	16	**543,415**	543,415
Treasury stock		**(607)**	(610)
Reserves		**(3,498)**	(10,258)
Retained earnings		**1,981,319**	2,055,262
Total parent entity interest		**2,520,629**	2,587,809
Non-controlling interest		**11,962**	9,223
Total equity		**2,532,591**	2,597,032

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

Consolidated statement of changes in equity

for the year ended 31 December 2014

Thousands of dollars

	Issued capital	Treasury stock	Foreign currency translation reserve	Hedging reserve	Equity compensation reserve	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 January 2013	543,415	20	-	(19,525)	11,870	1,611,905	2,147,685	11,894	2,159,579
Total comprehensive income for the year									
Profit/(loss) for the year	-	-	-	-	-	530,028	530,028	(1,271)	528,757
Total other comprehensive income	-	-		10,260	-	21,329	31,589	-	31,589
Total comprehensive income/(expense) for the year	-	-	-	10,260	-	551,357	561,617	(1,271)	560,346
Foreign currency translation differences for foreign operations	-	-	(240)	-	-	-	(240)	-	(240)
Own shares acquired	-	(21,434)	-	-	-	-	(21,434)	-	(21,434)
Shares vested to employees	-	20,804	-	-	(20,804)	-	-	-	-
Expense on equity settled transactions	-	-	-	-	8,181	-	8,181	-	8,181
Dividends to shareholders	-	-	-	-	-	(108,000)	(108,000)	(1,400)	(109,400)
Balance at 31 December 2013	543,415	(610)	(240)	(9,265)	(753)	2,055,262	2,587,809	9,223	2,597,032
Balance at 1 January 2014	**543,415**	**(610)**	**(240)**	**(9,265)**	**(753)**	**2,055,262**	**2,587,809**	**9,223**	**2,597,032**
Total comprehensive income for the year									
Profit for the year	**-**	**-**	**-**	**-**	**-**	**19,931**	**19,931**	**2,739**	**22,670**
Total other comprehensive income	**-**	**-**	**1,446**	**7,238**	**-**	**6,026**	**14,710**	**-**	**14,710**
Total comprehensive income for the year	**-**	**-**	**1,446**	**7,238**	**-**	**25,957**	**34,641**	**2,739**	**37,380**
Own shares acquired	**-**	**(8,971)**	**-**	**-**	**-**	**-**	**(8,971)**	**-**	**(8,971)**
Shares vested to employees	**-**	**8,974**	**-**	**-**	**(8,974)**	**-**	**-**	**-**	**-**
Expense on equity settled transactions	**-**	**-**	**-**	**-**	**7,050**	**-**	**7,050**	**-**	**7,050**
Dividends to shareholders	**-**	**-**	**-**	**-**	**-**	**(99,900)**	**(99,900)**	**-**	**(99,900)**
Balance at 31 December 2014	**543,415**	**(607)**	**1,206**	**(2,027)**	**(2,677)**	**1,981,319**	**2,520,629**	**11,962**	**2,532,591**

The consolidated statement of changes in equity is to be read in conjunction with the notes to the financial statements.

Consolidated cash flow statement

for the year ended 31 December 2014

Thousands of dollars	Note	2014	2013
Cash flows from operating activities			
Receipts from customers		**27,789,449**	28,354,086
Payments to suppliers, employees and governments		**(26,925,657)**	(27,552,535)
Dividends and disbursements received		**600**	2,550
Interest received		**9,470**	7,807
Interest and other finance costs paid		**(118,338)**	(87,391)
Income taxes paid		**(93,955)**	(116,577)
Net operating cash inflows	25(b)	**661,569**	607,940
Cash flows from investing activities			
Purchase of assets and liabilities through business combination	26	**(86,466)**	(42,967)
Purchases of property, plant and equipment		**(372,116)**	(481,582)
Major cyclical maintenance		**(19,120)**	(36,173)
Purchases of intangibles		**(23,337)**	(8,992)
Net proceeds from sale of property, plant and equipment		**25,290**	62,545
Net investing cash outflows		**(475,749)**	(507,169)
Cash flows from financing activities			
Proceeds from borrowings		**6,811,500**	4,237,000
Repayments of borrowings		**(7,044,020)**	(4,237,000)
Repayment of finance lease principal		**(200)**	(1,378)
Dividends paid to non-controlling interest		**-**	(1,400)
Dividends paid		**(99,900)**	(108,000)
Net financing cash outflows		**(332,620)**	(110,778)
Net increase in cash and cash equivalents		**(146,800)**	(10,007)
Cash and cash equivalents at the beginning of the year		**199,922**	209,929
Cash and cash equivalents at the end of the year	25(a)	**53,122**	199,922

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

Notes to the financial statements

for the year ended 31 December 2014

1. Significant accounting policies

Caltex Australia Limited (the company) is a company limited by shares, incorporated and domiciled in Australia. The shares of Caltex Australia Limited are publicly traded on the Australian Securities Exchange. The consolidated financial statements for the year ended 31 December 2014 comprise the company and its controlled entities (together referred to as the Group) and the Group's interest in associates and jointly controlled entities. The Group is a for-profit entity and is primarily involved in the purchase, refining, distribution and marketing of petroleum products and the operation of convenience stores. The consolidated financial statements were approved by the Board and authorised for issue on 23 February 2015.

(a) Statement of compliance and basis of preparation

The financial report has been prepared as a general purpose financial report and complies with the requirements of the *Corporations Act*, and Australian Accounting Standards (AASBs). The consolidated financial report complies with International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board (IASB).

The consolidated financial report is prepared on the historical cost basis except for the following material items in the consolidated balance sheet

- derivative financial instruments are measured at fair value, and
- the defined benefit liability is recognised as the net total of the plan assets, plus unrecognised past service cost less the present value of the defined benefit obligation.

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

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

The preparation of a consolidated financial report in conformity with AASBs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied by each entity in the Group.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and future periods if the revision affects both current and future periods.

Judgements made by management in the application of AASBs that have a significant effect on the consolidated financial report and estimates with a significant risk of material adjustment in the next year are discussed in note 1(c).

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial report by the Group, except where stated.

Changes in accounting policies

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

AASB 124 Related Party Disclosures – AASB 124 was amended to remove the individual key management personnel disclosure requirements for all disclosing entities in relation to equity holdings, loans and other related party transactions. This amendment has resulted in reduced disclosures in the Group's financial statements.

1. Significant accounting policies (continued)

(b) Basis of consolidation

Subsidiaries

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

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

Interests in associates and jointly controlled entities

Associates are those entities over whose financial and operating policies the Group has significant influence, but not control. The consolidated financial statements include the Group's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds the carrying amount of the associate, the carrying amount is reduced to nil and recognition of future losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

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

The Group's share of the joint venture's net profit or loss is recognised in the consolidated income statement from the date joint control commences until the date joint control ceases. Other movements in reserves are recognised directly in the consolidated reserves.

Joint operations

The interests of the Group in unincorporated joint operations are brought to account by recognising in its financial statements the assets it controls and the liabilities that it incurs, and the expenses it incurs and its share of income that it earns from the sale of goods or services by the joint operation.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in the entity. Unrealised losses arising from transactions with associates and jointly controlled entities are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(c) Accounting estimates and judgements

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

- note 1(n) contains information about the assumptions and the risk factors relating to impairment
- in assessing the carrying value of property, plant and equipment, management considers long-term assumptions relating to key external factors including crude oil prices, foreign exchange rates and Singapore refiner margins. Any changes in these assumptions can have a material impact on the carrying value
- in note 1(j), explanation is given of the foreign exchange, interest rate and commodity price exposures of the Group and the risk in relation to foreign exchange, interest rate and commodity price movements. Refer to note 17 for further detail
- note 1(w) provides key sources of estimation, uncertainty and assumptions used in regard to estimation of provisions. Refer to note 15 for further detail, and
- note 18(b) contains information about the principal actuarial assumptions used in determining pension obligations for the Group's defined benefit plan.

1. Significant accounting policies (continued)

(d) Revenue

Sale of goods

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

Gross sales revenue excludes amounts collected on behalf of third parties such as goods and services tax (GST). Sales revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, which is the date products are delivered to the customer.

Other revenue

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

Rental income from leased sites is recognised in the consolidated income statement on a straight-line basis over the term of the lease. Franchise fee income is recognised in accordance with the substance of the agreement. Royalties are recognised as they accrue in accordance with the substance of the agreement.

Other income

Profit on disposal of property assets

The profit on disposal of property assets is brought to account at the date a contract of sale is settled, because it is at this time that:

- the costs incurred or to be incurred in respect of the sale can be measured reliably, and
- the significant risks and rewards of ownership of the property have been transferred to the buyer.

Assets that are held for sale are carried at the lower of the net book value and fair value less cost to sell.

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

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

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

(f) Product duties and taxes

Product duties and taxes are included in cost of goods sold.

Product duties and taxes include fuel excise, which is a cents per litre impost on products used as fuels, and the product stewardship levy, which is a cents per litre impost on all lubricant products sold.

(g) Goods and services tax

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

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

1. Significant accounting policies (continued)

(h) Net finance costs

Net finance costs include:

- interest income that is recognised on a time proportionate basis taking into account the effective yield on the financial asset
- interest payable on borrowings calculated using the effective interest rate method
- finance charges in respect of finance leases
- losses on hedging instruments that are recognised in profit or loss
- exchange differences arising from foreign currency borrowing to the extent that they are regarded as an adjustment to interest costs, and
- differences relating to the unwinding of the discount of assets and liabilities measured at amortised cost.

Finance costs are recognised as incurred unless they relate to qualifying assets. Qualifying assets are assets which take more than 12 months to get ready for their intended use or sale. In these circumstances, finance costs are capitalised to the cost of the assets.

Where funds are borrowed specifically for the acquisition, construction or production of a qualifying asset, the amounts of finance costs capitalised are those incurred in relation to that borrowing, net of any interest earned on those borrowings. Where funds are borrowed generally, finance costs are capitalised using a weighted average capitalisation rate.

(i) Foreign currencies

Foreign currency transactions

Foreign currency transactions are recorded, on initial recognition, in Australian dollars by applying the exchange rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Australian dollars at the foreign exchange rate applicable for that date. Foreign exchange differences arising on translation are recognised in the consolidated income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at foreign exchange rates ruling at the dates the fair value was determined.

Foreign operations

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

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

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

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

1. Significant accounting policies (continued)

(j) Derivative financial instruments

The Group is subject to interest rate, foreign currency and commodity price risks. The Group may use interest rate instruments, foreign exchange instruments, cross currency swaps, crude swap contracts and finished product swap contracts to hedge these risks.

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

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

Interest rate instruments

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

Foreign exchange contracts

The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles as at reporting date.

The fair value of foreign currency option contracts is determined using standard valuation techniques.

Spot foreign exchange contracts are recorded at fair value, being the quoted market price at balance date.

Crude and finished product swap contracts

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

Hedging

Cash flow hedges

Interest rate instruments, forward exchange contracts, foreign currency options and crude and finished product swap contracts are cash flow hedges. Cross currency swaps may be cash flow hedges. Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in equity. When the anticipated transaction results in the recognition of a non-financial asset or non-financial liability, the cumulative gain or loss is removed from equity and included in the initial measurement of the non-financial asset or non-financial liability. If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains and losses that were recognised directly in equity are reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss (i.e. when interest income or expense is recognised). For cash flow hedges, other than those covered by the preceding two policy statements, the associated cumulative gain or loss is removed from equity and recognised in the consolidated income statement in the same period or periods during which the hedged forecast transaction affects profit or loss. The ineffective part of any gain or loss in the carrying amount of a cash flow hedge is recognised in the consolidated income statement immediately.

When a hedging instrument or hedge relationship is terminated, but the hedged transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the consolidated income statement immediately.

Fair value hedges

A change in the carrying amount of a fair value hedge is recognised in the consolidated income statement, together with the change to the carrying amount of the hedged item.

The Group formally documents all relationships between hedging instruments and hedged items, as well as risk management objectives and strategies for undertaking various hedge transactions. When effectiveness ceases, hedge accounting is discontinued.

Cross currency swaps

The Group has entered into cross currency swaps with matched terms to the underlying US notes. These matched terms include principal, margin and payment terms. These contracts are initially designated as fair value hedges for the swap of the benchmark US and Australian interest rates (a cross currency swap excluding margins) and cash flow hedges for the swap of the fixed US and Australian margin. Initial designation documents also provide scope for interest rate swaps to be entered into over the life of the cross currency swap.

1. Significant accounting policies (continued)

(j) Derivative financial instruments (continued)

Cross currency swaps (continued)

On entering into the interest rate swap, the initial fair value hedge is redesignated as a combined cross currency swap and interest rate swap and accounted for as a cash flow hedge.

Fair value measurement

AASB 13 Fair Value Measurement requires inclusion of a measure for credit risk in the calculations of assets and liabilities recorded at fair value. This has not had a significant impact on the fair value of the Group's assets and liabilities for the current or comparative financial year.

(k) Income tax

Income tax expense comprises current and deferred tax. Income tax is recognised in the consolidated income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustments to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries, associates and jointly controlled entities to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Tax consolidation

Caltex Australia Limited, as the head company, recognises all current tax balances relating to its wholly owned Australian resident entities included in the tax-consolidated group (TCG).

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the TCG are recognised in the separate financial statements of the members of the TCG using the "group allocation" approach.

Current tax expense/income is allocated based on the net profit/loss before tax of each separate member of the TCG adjusted for permanent differences and intra-group dividends, tax-effected using tax rates enacted or substantially enacted at the balance sheet date.

Any current tax liabilities and deferred tax assets arising from unused tax losses of the subsidiaries are assumed by the head company in the TCG and are recognised as amounts payable to/receivable from other entities in the TCG in conjunction with any tax funding arrangement amounts.

The Group recognises deferred tax assets arising from unused tax losses of the TCG to the extent that it is probable that future taxable profits of the TCG will be available against which the asset can be utilised.

(k) Income tax (continued)

Nature of tax funding arrangements and tax sharing arrangements

The head entity, in conjunction with the other members of the TCG, has entered into a tax funding arrangement which sets out the funding obligations of members of the TCG in respect of tax amounts. The tax funding arrangements require payments to/from the head entity equal to the current tax liability/(asset) assumed by the head entity and any tax loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-entity payable/(receivable) equal in amount to the tax liability/(asset) assumed. The inter-entity payables/(receivables) are at call.

Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

The head entity, in conjunction with the other members of the TCG, has also entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

(l) Receivables

Receivables are initially recognised at fair value plus any directly attributable transaction costs and subsequently measured at amortised cost less impairment losses.

Impairment testing is performed at reporting date. A provision for impairment losses is raised if there is a specific indicator that an impairment loss on receivables has been incurred.

An impairment loss is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

(m) Inventories

Inventories are measured at the lower of cost and net realisable value. Cost is based on the first in first out (FIFO) principle and includes direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure incurred in acquiring the inventories and bringing them into the existing location and condition.

The amount of any write-down or loss of inventory is recognised as an expense in the period it is incurred.

Inventory write-downs may be reversed when net realisable value increases subsequent to initial write-down. The reversal is limited to the original write-down amount.

(n) Impairment

The carrying amounts of the Group's assets, other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is an indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the consolidated income statement, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through the consolidated income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

Calculation of recoverable amount

The recoverable amount of the Group's investments in held to maturity securities and receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets).

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(n) Impairment (continued)

Reversals of impairment

An impairment loss in respect of a held to maturity security or receivable carried at amortised cost is reversed if the subsequent increase in the recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(o) Property, plant and equipment

Owned assets

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads.

The cost of property, plant and equipment includes the cost of decommissioning and restoration costs at the end of their economic lives if a present legal or constructive obligation exists. More details of how this cost is estimated and recognised is contained in note 1(w).

Assessment of impairment is made in accordance with the impairment policy in note 1(n).

Leased assets

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

Finance leases

Assets of the Group acquired under finance leases are capitalised and included in property, plant and equipment at the lesser of fair value or present value of the minimum lease payments with a corresponding finance lease liability. Contingent rentals are written off as an expense of the period in which they are incurred. Capitalised lease assets are depreciated over the shorter of the lease term and its useful life.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The interest components of lease payments are charged to the consolidated income statement to reflect a constant rate of interest on the remaining balance of the liability for each accounting period.

Operating leases

Payments made under operating leases are charged against net profit or loss in equal instalments over the accounting period covered by the lease term, except where an alternative basis is more representative of the benefits to be derived from the leased property. Contingent rentals are recognised as an expense in the period in which they are incurred. Lease incentives received are recognised in the consolidated income statement as an integral part of the total lease expense on a straight-line basis over the lease term.

Subsequent expenditure

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including cyclical maintenance, is capitalised. Other subsequent expenditure is capitalised only when it is probable that the future economic benefits embodied within the item will flow to the Group and the cost of the item can be reliably measured. All other expenditure is recognised in the consolidated income statement as an expense as incurred.

Major cyclical maintenance

Major cyclical maintenance expenditure is separately capitalised as an asset component to the extent that it is probable that future economic benefits, in excess of the originally assessed standard of performance, will eventuate. All other such costs are expensed as incurred. Capitalised cyclical maintenance expenditure is depreciated over the lesser of the additional useful life of the asset or the period until the next major cyclical maintenance is scheduled to occur.

1. Significant accounting policies (continued)

(o) Property, plant and equipment (continued)

Depreciation

Items of property, plant and equipment, including buildings and leasehold property but excluding freehold land, are depreciated using the straight-line method over their expected useful lives. Leasehold improvements are amortised over the shorter of the lease term or useful life.

The depreciation rates used, in the current and prior year, for each class of asset are as follows:

Freehold buildings	2%
Leasehold property	2 – 10%
Plant and equipment	3 – 25%
Leased plant and equipment	3 – 25%

Assets are depreciated from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and held ready for use.

(p) Intangible assets

Goodwill

Goodwill arising on the acquisition of subsidiaries is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 1(n)). In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment in the associate.

Negative goodwill arising on an acquisition is recognised directly in the consolidated income statement.

Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the consolidated income statement as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible, future economic benefits are probable and the Group has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the consolidated income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses (see note 1(n)).

Other intangible assets

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses (see note 1(n)).

Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it related. All other expenditure is expensed as incurred.

Amortisation

Amortisation is charged to the consolidated income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Goodwill and intangible assets with an indefinite useful life are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives in the current and comparative periods are reflected by the following amortisation percentages:

Software development	5 – 20%
Software not integrated with hardware	17 – 20%
Rights and licences	6 – 10%

1. Significant accounting policies (continued)

(q) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(r) Payables

Payables are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Group. Trade accounts payable are normally settled within 30 days.

Payables are initially recognised at fair value less any directly attributable transaction costs and subsequently measured at amortised cost.

(s) Interest bearing liabilities

Interest bearing bank loans

Interest bearing bank loans are recognised when issued at fair value, less transaction costs, using the amortised cost method. Any difference between the amortised cost and the principal value is recognised in the consolidated income statement over the period of the interest bearing liability on an effective interest basis.

Domestic medium term and subordinated notes

These notes are recognised when issued at fair value, less transaction costs, using the amortised cost method. Any difference between the amortised cost and the principal value is recognised in the consolidated income statement over the period of the interest bearing liability on an effective interest basis.

US notes

US notes hedged by cross currency swaps are initially recognised at fair value less attributable transaction costs. Subsequent to initial recognition, these US notes are accounted for using fair value hedge accounting to the extent that an effective hedge exists (see note 1(j)).

Where cross currency swaps are redesignated as cash flow hedges, the hedged US notes are no longer subject to a fair value adjustment. Any accumulated gain/loss capitalised prior to the redesignation will be amortised over the remaining life of the US notes on an effective interest basis.

US notes issued in Australian dollars are recognised when issued at fair value, less transaction costs, using the amortised cost method. Any difference between the amortised cost and the principal value is recognised in the consolidated income statement over the period of the interest bearing liability on an effective interest basis.

(t) Employee benefits

Wages and salaries

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

Annual leave, long service leave and retirement benefits

The provisions for employee benefits to annual leave, long service leave and retirement benefits which are expected to be settled within 12 months represent the undiscounted amount of the estimated future cash outflows to be made by the employer resulting from employees' services provided up to the balance date. Provisions for employee benefits which are not expected to be settled within 12 months are calculated using expected future increases in wage and salary rates, including related oncosts, and expected settlement dates based on turnover history and are discounted using the rates attaching to national government securities at balance date, which most closely match the terms of maturity of the related liabilities.

Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

Superannuation

The Group contributes to several defined contribution and defined benefit superannuation plans.

1. Significant accounting policies (continued)

(t) Employee benefits (continued)

Defined contribution plans

Obligations for contributions to defined contribution plans are recognised as an expense in the consolidated income statement as incurred.

Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value, and the fair value of any plan assets is deducted. The discount rate is the yield at the beginning of the annual reporting period on government bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

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

When the calculation results in plan assets exceeding liabilities to the Group, the recognised asset is limited to the present value of any future refunds from the plan or reductions in future contributions to the plan.

(u) Share based payments

The Group provides benefits to senior executives in the form of share based payment transactions, whereby senior executives render services in exchange for shares or rights over shares (equity settled transactions).

The cost of the equity settled transactions with employees is measured by reference to the fair value at the date at which they are granted.

The cost of equity settled transactions is recognised as an expense over the specified service period and ending on the date on which the relevant employees become fully entitled to the award (vesting date) with a corresponding increase in equity. The cumulative expense recognised for equity settled transactions at each reporting date until vesting date reflects the extent to which the vesting period has expired.

In the Group's financial statements the transactions of the company sponsored employee share plan trust are treated as being executed directly by the Group (an external third party acts as the Group's agent). Accordingly, shares held by the third party are recognised as treasury stock and deducted from equity.

The grant date fair value of share based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share based payment awards with non-vesting conditions, the grant date fair value of the share based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

(v) Environmental costs

Environmental costs related to known environmental obligations under existing law are accrued when they can be reasonably estimated. Accruals are based on best available information and are adjusted as further information develops or circumstances change. Environmental provisions are accounted for in accordance with the provisions accounting policy.

Costs of compliance with environmental regulations and ongoing maintenance and monitoring are expensed as incurred. Recoveries from third parties are recorded as assets when their realisation is virtually certain.

(w) Provisions

A provision is recognised when there is a present legal or constructive obligation as a result of a past event that can be measured reliably and it is probable that a future sacrifice of economic benefits will be required to settle the obligation, the timing or amount of which is uncertain.

1. Significant accounting policies (continued)

(w) Provisions (continued)

If the effect is material, a provision is determined by discounting the expected future cash flows (adjusted for expected future risks) required to settle the obligation at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Subsequent accretion to the amount of a provision due to unwinding of the discount is recognised as a finance cost.

Estimates of the amount of an obligation are based on current legal and constructive obligations, technology and price levels. Actual outflows can differ from estimates due to changes in laws, regulations, public expectations, technology, prices and conditions and can take place many years in the future. The carrying amounts of provisions and liabilities are regularly reviewed and adjusted to take account of such change.

In general, the further in the future that a cash outflow for a liability is expected to occur, the greater the degree of uncertainty around the amount and timing of that cash outflow. Examples of cash outflows that are expected to occur a number of years in the future and, as a result, about which there is uncertainty of the amounts involved, include asset decommissioning and restoration obligations and employee pension obligations.

A change in the estimate of a recognised provision or liability would impact the consolidated income statement, with the exception of decommissioning and certain restoration costs that relate to the initial construction of an asset, which would be accounted for on a prospective basis.

Restoration and remediation

Provisions relating to current and future restoration and remediation activities are recognised as liabilities when a legal or constructive obligation arises.

The provision is the best estimate of the present value of the expenditure to settle the obligation at the reporting date. These costs are reviewed annually and any changes are reflected in the provision at the end of the reporting period through the consolidated income statement.

The ultimate cost of restoration and remediation is uncertain and cost estimates can vary in response to many factors including changes to the relevant legal and environmental requirements, the emergence of new techniques or experience at other sites and uncertainty as to the remaining life of existing sites.

Asset retirements

Costs for the future dismantling and removal of assets, and restoration of the site on which the assets are located, are provided for and capitalised upon initial construction of the asset, where an obligation to incur such costs arises. The present value of the expected future cash flows required to settle these obligations is capitalised and depreciated over the useful life of the asset. Subsequent accretion to the amount of a provision due to unwinding of the discount is recognised as a finance cost. A change in estimate of the provision is added to or deducted from the cost of the related asset in the period of the change, to the extent that any amount of deduction does not exceed the carrying amount of the asset. Any deduction in excess of the carrying amount is recognised in the consolidated income statement immediately. If an adjustment results in an addition to the cost of the related asset, consideration will be given to whether an indication of impairment exists and the impairment policy will be applied.

Dividends

A provision for dividends payable is recognised in the reporting period in which the dividends are declared, for the entire undistributed amount.

Restructuring and employee termination benefits

Provisions for restructuring or termination benefits are only recognised when a detailed plan has been approved and the restructuring or termination benefits have either commenced or been publicly announced, or when firm contracts related to the restructuring or termination benefits have been entered into. The liabilities for termination benefits have been included in the provision for employee and director benefits.

(x) Segment reporting

The Group determines and presents operating segments based on the information that internally is provided to the Group's chief operating decision maker.

1. Significant accounting policies (continued)

(x) Segment reporting (continued)

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

Segment results that are reported to the chief operating decision maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Inter-entity sales are recognised based on an internally set transfer price. Sales between segments are based on arm's length principles appropriate to reflect prevailing market pricing structures at that time. Where possible, relevant Import Parity Pricing is used to determine arm's length pricing between the two segments. Revenue from external parties reported to the chief operating decision maker is measured in a manner consistent with that in the consolidated income statement. For the purposes of reporting to the chief operating decision maker, non-fuel income is included on a net basis and is not presented in gross revenue.

Income taxes and net financial income are dealt with at a Group level and not within the reportable segments.

The performance of each reportable segment is measured based on segment replacement cost of sales operating profit before interest and income tax excluding significant items. These measurement bases exclude the impact of the rise or fall in oil prices (a key external factor) and present a clearer picture of the reportable segments' underlying business performance. Segment replacement cost of sales operating profit before interest and income tax excluding significant items is measured as management believes that such information is most useful in evaluating the performance of the differing internal business units relative to each other, and other like business units in the industry. Segment replacement cost operating profit excluding significant items is also used to assess the performance of each business unit against internal performance measures.

(y) Carbon policy

The Group accounts for free carbon permits received under *The Clean Energy Act 2011* at nominal value, i.e. nil value. These permits are surrendered to satisfy the Group's emissions liability each period. If the Group's carbon emissions are under/(over) the carbon permits received, other revenue/(other expenses) is recognised at fair value.

(z) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group, except for

- AASB 9 Financial Instruments, which becomes mandatory for the Group's 2018 consolidated financial statements and could change the classification and measurement of financial assets and liabilities. The Group does not plan to adopt this standard early and the extent of the impact has not been determined, and
- AASB 15 Revenue from Contracts with Customers, which becomes mandatory for the Group's 2017 consolidated financial statements and could change the basis for the recognition of revenue. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

Notes to the financial statements
for the year ended 31 December 2014 (continued)

Thousands of dollars	2014	2013
2. Revenue and other income		
Revenue		
Sale of goods	**23,878,180**	24,352,188
Other revenue		
Rental income	**71,671**	64,232
Royalties and franchise income	**106,617**	108,000
Transaction and merchant fees	**99,403**	86,351
Other	**75,329**	65,612
Total other revenue	**353,020**	324,195
Total revenue	**24,231,200**	24,676,383
Other income		
Net gain on sale of property, plant and equipment	**726**	44,881

Thousands of dollars	2014	2013
3. Costs and expenses		
Interest expense	**108,793**	96,924
Finance charges on capitalised leases	**29**	43
Unwinding of discount	**25,475**	7,946
Less: capitalised finance costs	**(14,693)**	(7,238)
Finance costs	**119,604**	97,675
Finance income	**(8,234)**	(8,884)
Net finance costs	**111,370**	88,791
Depreciation and amortisation		
Depreciation of:		
Buildings	**12,993**	10,200
Plant and equipment	**162,179**	136,437
	175,172	146,637
Amortisation of:		
Leasehold property	**9,704**	8,052
Leased plant and equipment	**243**	390
Intangibles	**17,866**	10,538
	27,813	18,980
Total depreciation and amortisation	**202,985**	165,617
Selected expenses		
Total personnel expenses	**396,745**	425,148

Significant items

During 2014, the Group incurred significant items before tax totalling a loss of $160,163,000 that have been recognised in the income statement. These items relate to the Group cost and efficiency review project and include consulting fees ($25,065,000), redundancy costs ($53,814,000), contract cancellation costs ($12,000,000), interest expense ($20,311,000), foreign exchange gains ($4,755,000) and accelerated depreciation ($22,773,000) and environmental liabilities ($30,955,000).

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

Of this total $160,163,000 significant items (2013: $27,763,000), $144,607,000 is included in Other expenses (2013: $3,845,000) $20,311,000 is included in Finance costs (2013: nil) and $4,755,000 is included in Foreign exchange gains (2013: nil).
In addition to the above, 2013 significant items of $42,611,000 were included in other income (2014: nil) and $11,003,000 in Supply Chain expenses (2014: nil)

Thousands of dollars	2014	2013
4. Income tax expense		
(a) Recognised in the income statement		
Current tax expense:		
Current year	**(17,492)**	164,726
Adjustments for prior years	**(618)**	(2,650)
	(18,110)	162,076
Deferred tax benefit:		
Origination and reversal of temporary differences	**102,212**	44,708
Benefit of tax losses recognised	**(76,438)**	-
	25,774	44,708
Total income tax expense in the income statement	**7,664**	206,784

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

	2014	2013
Profit before income tax expense	**30,334**	735,541
Income tax using the domestic corporate tax rate of 30% (2013: 30%)	**9,100**	220,662
Effect of tax rates in foreign jurisdictions	**(885)**	(319)
Increase/(decrease) in income tax expense due to:		
Imputation gross-up on dividends received	**-**	193
Share of net profit of associated entities	**(275)**	(47)
Capital gains tax	**-**	355
Capital tax losses utilised for which no deferred tax asset was recognised	**(2,305)**	(8,286)
Research and development allowances	**(333)**	(500)
Franking credits on dividends received	**-**	(193)
Share based payments	**(39)**	(4,041)
Other	**3,019**	1,610
Income tax over provided in prior years	**(618)**	(2,650)
Total income tax expense in the income statement	**7,664**	206,784

(c) Deferred tax recognised directly in equity

	2014	2013
Related to actuarial gains	**(2,582)**	(9,141)
Related to cash flow hedges	**(2,641)**	(3,208)
Related to interest rate swaps	**(462)**	(1,189)
	(5,685)	(13,538)

(d) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
Thousands of dollars	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Receivables	**1,853**	1,558	**-**	-	**1,853**	1,558
Inventories	**-**	-	**(1,507)**	(4,818)	**(1,507)**	(4,818)
Property, plant and equipment and intangibles	**124,882**	252,025	**-**	-	**124,882**	252,025
Payables	**13,539**	9,660	**-**	-	**13,539**	9,660
Interest bearing liabilities	**8,257**	3,973	**-**	-	**8,257**	3,973
Provisions	**221,032**	211,229	**-**	-	**221,032**	211,229
Tax value of recognised tax losses	**76,438**	-	**-**	-	**76,438**	-
Other	**-**	-	**(2,311)**	(3,737)	**(2,311)**	(3,737)
Net tax assets/(liabilities)	**446,001**	478,445	**(3,818)**	(8,555)	**442,183**	469,890

(e) Unrecognised deferred tax assets

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

Thousands of dollars	2014	2013
Capital tax losses	**148,958**	150,203

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which these benefits can be utilised by the Group.

4. Income tax expense (continued)

(f) Movement in temporary differences during the year

Thousands of dollars	Balance at 1 Jan 14	Recognised in income	Recognised in equity	Acquired in business combination	Balance at 31 Dec 14
Receivables	**1,558**	**295**	**-**	**-**	**1,853**
Inventories	**(4,818)**	**3,311**	**-**	**-**	**(1,507)**
Property, plant and equipment and intangibles	**252,025**	**(128,371)**	**-**	**1,228**	**124,882**
Payables	**9,660**	**3,879**	**-**	**-**	**13,539**
Interest bearing liabilities	**3,973**	**7,387**	**(3,103)**	**-**	**8,257**
Provisions	**211,229**	**9,861**	**(2,582)**	**2,524**	**221,032**
Tax value of recognised tax losses	**-**	**76,438**	**-**	**-**	**76,438**
Other	**(3,737)**	**1,426**	**-**	**-**	**(2,311)**
	469,890	**(25,774)**	**(5,685)**	**3,752**	**442,183**

Thousands of dollars	Balance at 1 Jan 13	Recognised in income	Recognised in equity	Balance at 31 Dec 13
Receivables	1,584	(26)	-	1,558
Inventories	(1,814)	(3,004)	-	(4,818)
Property, plant and equipment and intangibles	286,192	(34,167)	-	252,025
Payables	3,821	5,839	-	9,660
Interest bearing liabilities	8,746	(376)	(4,397)	3,973
Provisions	231,156	(10,786)	(9,141)	211,229
Other	(1,549)	(2,188)	-	(3,737)
	528,136	(44,708)	(13,538)	469,890

5. Dividends

(a) Dividends declared or paid

Dividends recognised in the current year by the company are:

	Date of payment	Franked/ unfranked	Cents per share	Total amount $'000
2014				
Interim 2014	**1 October 2014**	**Franked**	**20**	**54,000**
Final 2013	**3 April 2014**	**Franked**	**17**	**45,900**
Total amount			**37**	**99,900**
2013				
Interim 2013	2 October 2013	Franked	17	45,900
Final 2012	4 April 2013	Franked	23	62,100
Total amount			40	108,000

The dividends paid during 2014 were fully franked at the rate of 30%.

Subsequent events

Since 31 December 2014, the directors declared the following dividend. The dividend has not been provided for and there are no income tax consequences for the Group in relation to 2014.

	Date of payment	Franked/ unfranked	Cents per share	Total amount $'000
Final 2014	2 April 2015	Franked	**50**	**135,000**

The financial effect of this final dividend has not been reflected in the financial statements for the year ended 31 December 2014 and will be recognised in subsequent financial reports.

Thousands of dollars	2014	2013
(b) Dividend franking account		
30% franking credits available to shareholders of Caltex Australia Limited for subsequent financial years	**1,125,403**	1,187,013

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends.

The impact on the dividend franking account of dividends proposed after the balance sheet date but not recognised as a liability, is to reduce the balance by $57,857,143 (2013: $19,671,429).

In accordance with the tax consolidation legislation, Caltex Australia Limited as the head entity in the tax-consolidated group has also assumed the benefit of $1,125,403,000 (2013: $1,187,013,000) in franking credits.

6. Basic and diluted earnings per share	**2014**	**2013**
Historical cost - cents per share	**7.4**	196.3
Replacement cost of sales operating profit (RCOP) excluding significant items - cents per share	**182.6**	122.8

The calculation of historical cost basic earnings per share for the year ended 31 December 2014 was based on the net profit attributable to ordinary shareholders of the parent entity of $19,931,000 (2013: $530,028,000) and a weighted average number of ordinary shares outstanding during the year ended 31 December 2014 of 270 million shares (2013: 270 million shares).

The calculation of RCOP excluding significant items basic earnings per share for the year ended 31 December 2014 was based on the net RCOP profit attributable to ordinary shareholders of the parent entity and a weighted average number of ordinary shares outstanding as disclosed during the year ended 31 December 2014 of 270 million shares (2013: 270 million shares). RCOP is calculated by adjusting the statutory profit for significant items and inventory gains and losses as follows:

Thousands of dollars	**2014**	**2013**
Net profit after tax attributable to equity holders of the parent entity	**19,931**	530,028
Adjust: Significant items losses/(gains) after tax	**112,114**	(25,904)
Adjust: Inventory losses/(gains) after tax	**360,986**	(172,512)
Replacement cost of sales operating profit (RCOP) excluding significant items after tax	**493,031**	331,612

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

Thousands of dollars	**2014**	**2013**
7. Receivables		
Current		
Trade debtors	**758,165**	901,494
Allowance for impairment	**(5,951)**	(4,809)
	752,214	896,685
Associated entities	**29,903**	35,217
Other related entities	**1,415**	1,966
Other debtors	**54,140**	54,665
	837,672	988,533
Non-current		
Other loans	**3,246**	3,048

(a) Impaired receivables

As at 31 December 2014, current trade receivables of the Group with a nominal value of $5,951,000 (2013: $4,809,000) were impaired. The individually impaired receivables relate to a variety of customers who are in financial difficulties.

No collateral is held over these impaired receivables.

As at 31 December 2014, trade receivables of $68,795,000 (2013: $35,776,000) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default. The ageing analysis of receivables past due but not impaired is as follows:

Thousands of dollars	**2014**	**2013**
Past due 0 – 30 days	**62,276**	29,871
Past due 31 – 60 days	**3,404**	2,849
Past due greater than 60 days	**3,115**	3,056
	68,795	35,776

7. Receivables (continued)

(a) Impaired receivables (continued)

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

Thousands of dollars	2014	2013
At 1 January	**4,809**	4,736
Provision for impairment recognised during the year	**3,323**	2,216
Receivables written off during the year as uncollectible	**(2,181)**	(2,143)
At 31 December	**5,951**	4,809

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

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

(b) Foreign exchange and interest rate risk

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

(c) Fair value and credit risk

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

Thousands of dollars	2014	2013
8. Inventories		
Crude oil and raw materials	**170,715**	882,270
Inventory in process	**114,959**	128,496
Finished goods	**816,374**	1,000,990
Materials and supplies	**16,036**	16,101
	1,118,084	2,027,857

Inventories held at 31 December 2014 were written down to their net realisable value. The amount of the write-down was $117,000,000 (2013: nil) and is included in inventory losses in the income statement.

Thousands of dollars	2014	2013
9. Other assets		
Current		
Prepayments	**33,754**	35,416
Non-current		
Other	**1,006**	2,474
10. Other investments		
Investment in other entities	**3**	3

Thousands of dollars	Note	Goodwill	Rights and licences	Software	Total
11. Intangibles					
Cost					
At 1 January 2014		**113,553**	**25,844**	**87,471**	**226,868**
Acquisitions through business combinations	26	**29,573**	**8,101**	**-**	**37,674**
Additions		**-**	**-**	**23,337**	**23,337**
Disposals		**-**	**(2,624)**	**(10,883)**	**(13,507)**
Balance at 31 December 2014		**143,126**	**31,321**	**99,925**	**274,372**
Cost					
At 1 January 2013		84,615	16,791	78,741	180,147
Acquisitions through business combinations	26	28,938	8,797	-	37,735
Additions		-	262	8,730	8,992
Disposals		-	(6)	-	(6)
Balance at 31 December 2013		113,553	25,844	87,471	226,868
Amortisation					
At 1 January 2014		**(16,391)**	**(8,327)**	**(57,903)**	**(82,621)**
Amortisation for the year		**-**	**(3,859)**	**(14,007)**	**(17,866)**
Disposals		**-**	**2,000**	**12,303**	**14,303**
Balance at 31 December 2014		**(16,391)**	**(10,186)**	**(59,607)**	**(86,184)**
Amortisation					
At 1 January 2013		(16,391)	(6,098)	(49,594)	(72,083)
Amortisation for the year		-	(2,229)	(8,309)	(10,538)
Balance at 31 December 2013		(16,391)	(8,327)	(57,903)	(82,621)
Carrying amount					
At 1 January 2014		**97,162**	**17,517**	**29,568**	**144,247**
At 31 December 2014		**126,735**	**21,135**	**40,318**	**188,188**
Carrying amount					
At 1 January 2013		68,224	10,693	29,147	108,064
At 31 December 2013		97,162	17,517	29,568	144,247

Amortisation

The amortisation charge of $17,866,000 (2013: $10,538,000) is recognised in Supply chain expenses, Marketing expenses and Other expenses in the income statement.

Impairment tests for cash-generating units containing goodwill

Goodwill acquired through business combinations has been tested for impairment as follows:

Thousands of dollars	2014	2013
Distributor businesses	**126,735**	97,162

Distributor businesses

The recoverable amount of goodwill with distributor businesses has been determined based on a value in use calculation. This calculation uses pre-tax cash flow projections based on an extrapolation of the year end cash flows and available budget information. The cash flows have been discounted using a pre-tax discount rate of 14.6% p.a. The cash flows have been extrapolated using a constant growth rate of 2.5%. The growth rates used do not exceed the long term growth rate for the industry.

There were no impairment losses recognised in relation to the distributor businesses during the year ended 31 December 2014 (2013: nil).

11. Intangibles (continued)

Key assumptions used in value in use calculations

Key assumption	**Basis for determining value in use assigned to key assumption**
Cash flow	Earnings before interest, tax, depreciation and amortisation (EBITDA)
Estimated long term average growth rate	2.5%, as considered appropriate for each distributor business based on past experience
Discount period	Represents the longest remaining life of assets acquired
Discount rate	The risk specific to the asset

The values assigned to the key assumptions represent management's assessment of future trends in the petroleum industry and are based on both external sources and internal sources (historic data).

Management believes that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of goodwill recorded to exceed its recoverable amount.

Thousands of dollars	2014	2013
12. Property, plant and equipment		
Freehold land		
At cost	**384,276**	365,664
Accumulated impairment losses	**(37,284)**	(37,284)
Net carrying amount	**346,992**	328,380
Buildings		
At cost	**558,200**	478,768
Accumulated depreciation and impairment losses	**(231,720)**	(227,086)
Net carrying amount	**326,480**	251,682
Leasehold property		
At cost	**158,895**	140,408
Accumulated amortisation	**(84,133)**	(77,953)
Net carrying amount	**74,762**	62,455
Plant and equipment		
At cost	**4,724,400**	4,588,469
Accumulated depreciation and impairment losses	**(3,663,930)**	(3,606,357)
Net carrying amount	**1,060,470**	982,112
Leased plant and equipment		
At capitalised cost	**-**	25,012
Accumulated amortisation	**-**	(24,769)
Net carrying amount	**-**	243
Capital projects in progress		
At cost	**571,088**	539,210
Accumulated impairment losses	**(16,120)**	(38,465)
Net carrying amount	**554,968**	500,745
Total net carrying amount	**2,363,672**	2,125,617

12. Property, plant and equipment (continued)

Reconciliations

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

Thousands of dollars	2014	2013
Freehold land		
Carrying amount at the beginning of the year	**328,380**	328,185
Additions	**12,187**	3,085
Acquisition through business combination	**11,830**	-
Disposals	**(5,405)**	(2,890)
Carrying amount at the end of the year	**346,992**	328,380
Buildings		
Carrying amount at the beginning of the year	**251,682**	213,674
Additions	**1,529**	247
Acquisition through business combination	**13,824**	-
Disposals	**(1,664)**	(1,102)
Transfers from capital projects in progress	**74,102**	49,063
Depreciation	**(12,993)**	(10,200)
Carrying amount at the end of the year	**326,480**	251,682
Leasehold property		
Carrying amount at the beginning of the year	**62,455**	51,514
Additions	**304**	52
Disposals	**(38)**	(156)
Transfers from capital projects in progress	**21,745**	19,097
Amortisation	**(9,704)**	(8,052)
Carrying amount at the end of the year	**74,762**	62,455
Plant and equipment		
Carrying amount at the beginning of the year	**982,112**	848,320
Additions	**17,965**	40,248
Acquisition through business combination	**16,548**	2,265
Disposals	**(18,253)**	(13,516)
Transfers to leased plant and equipment	**-**	(311)
Transfers from capital projects in progress	**224,277**	241,543
Depreciation	**(162,179)**	(136,437)
Carrying amount at the end of the year	**1,060,470**	982,112
Leased plant and equipment		
Carrying amount at the beginning of the year	**243**	322
Transfers from plant and equipment	**-**	311
Amortisation	**(243)**	(390)
Carrying amount at the end of the year	**-**	243
Capital projects in progress		
Carrying amount at the beginning of the year	**500,745**	327,900
Additions	**359,654**	475,310
Borrowing costs capitalised	**14,693**	7,238
Transfers to buildings, leased property, plant and equipment	**(320,124)**	(309,703)
Carrying amount at the end of the year	**554,968**	500,745

Thousands of dollars	2014	2013
13. Payables		
Current		
Trade creditors - unsecured*		
- Related entities	**126,271**	524,831
- Other corporations and persons	**484,128**	670,660
Other creditors and accrued expenses	**565,116**	520,908
	1,175,515	1,716,399
Non-current		
Other creditors and accrued expenses	**7,642**	5,657

* Trade creditors are non-interest bearing and are normally settled on between 30 and 60 day terms.

Thousands of dollars	2014	2013
14. Interest bearing liabilities		
Current - unsecured		
US notes (i) (ii)	**-**	56,216
Hedge payable (ii)	**-**	15,041
Lease liabilities (iii)	**110**	147
	110	71,404
Non-current - unsecured		
Domestic medium term notes (i)	**149,667**	149,583
Subordinated note (i)	**541,470**	538,345
US notes (i) (ii)	**-**	147,341
Hedge payable (i) (ii)	**-**	35,652
Lease liabilities (iii)	**1,032**	-
	692,169	870,921

This note provides information about the contractual terms of Caltex's interest bearing loans and other liabilities. For more information about Caltex's exposure to interest rate and foreign currency risk, see note 17.

(i) The domestic medium term notes, subordinated notes and the US notes are provided by a number of capital markets. The domestic medium term notes and subordinated notes are denominated in Australian dollars, and US notes are denominated in US dollars. Under the note agreements, the Caltex Australia Group is required to comply with certain financial covenants. There is no security or demand placed on the notes. The domestic medium term notes will mature in November 2018, totalling $149,667,000. The subordinated note has a maturity date of September 2037, with the option for redemption in September 2017, totalling $541,470,000.

(ii) The US notes and hedge payable matured in April 2014 (2013: $71,257,000). On 1 October 2014, the April 2016 US Notes were repurchased and the associated hedge payable was closed out (2013: $182,993,000).

(iii) Refer to note 19 for details on the timing and amount of future lease payments.

15. Provisions

Thousands of dollars	Site remediation & dismantling	Other	Total
Balance at 1 January 2014	**448,969**	**18,031**	**467,000**
Assumed in a business combination	**1,270**	**-**	**1,270**
Provisions made during the year	**49,302**	**2,569**	**51,871**
Provisions used during the year	**(41,813)**	**(4,127)**	**(45,940)**
Discounting movement	**23,853**	**-**	**23,853**
Balance at 31 December 2014	**481,581**	**16,473**	**498,054**
Current	**151,923**	**13,152**	**165,075**
Non-current	**329,658**	**3,321**	**332,979**
	481,581	**16,473**	**498,054**

Site remediation & dismantling
Provision is made for the remediation of oil refining, distribution and marketing sites, and in relation to the Kurnell conversion project. Significant judgements and estimates are involved in forming expectations of future activities and the amount and timing of expenditure associated with the environment remediation process. Those expectations are formed based on existing environment and regulatory requirements or, if more stringent, Caltex's environmental policies which give rise to a constructive obligation. The restoration and remediation provision, whilst representing Caltex's best estimate, remains subject to a level of uncertainty in relation to the timing and amount of each component of expenditure in future periods. Adjustments to the estimated amount and timing of future expenditures are a normal occurrence in light of significant judgements and estimates involved. Factors influencing those potential changes include revisions to lives of operations, developments in technology, regulatory requirements and environmental management strategies, and changes in the estimated extent and costs of anticipated activities.

Other
Other includes legal, insurance and other provisions.

Thousands of dollars	2014	2013
16. Issued capital		
Ordinary shares		
Issued capital 270 million ordinary shares, fully paid	**543,415**	543,415

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

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

Caltex grants performance rights to senior executives (refer to the Directors' Report on pages 5 to 56 for further detail).

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

17. Financial instruments

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange, interest rate and commodity price), as well as credit and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses a range of derivative financial instruments to hedge market exposures. The Group uses sensitivity analysis in the case of foreign exchange, interest rate and commodity price risk.

The Group enters into derivative transactions, principally interest rate swaps, foreign currency exchange contracts (forwards, swaps or options), and commodity price swaps. The purpose is to manage the market risks arising from the Group's operations and its sources of finance.

It is the Group's policy that no discretionary trading in financial instruments shall be undertaken. The Group's accounting policies in relation to derivatives are set out in note 1.

Risk management is carried out by Group Treasury for market risk, liquidity risk, financial institutional credit risk and capital management. Risk management activities in respect to customer credit risk are carried out by the Group's Credit Risk department. Both Group Treasury and Credit Risk operate under policies approved by the Board of directors. Group Treasury and Credit Risk identify, evaluate and monitor the financial risks in close co-operation with the Group's operating units.

The Group finances its operations through a variety of financial instruments including bank loans, domestic medium term notes, subordinated notes, US notes, and finance leases. Surplus funds are invested in cash and short term deposits.

The Group has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

The magnitude of each type of financial risk that has arisen over the year is discussed below.

(a) Interest rate risk

Interest rate instruments

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

Each contract involves periodic payment or receipt of the net amount of interest. At 31 December 2014, the fixed rates varied from 3.4% p.a. to 5.3% p.a. (2013: 3.4% p.a. to 5.3% p.a.), a weighted average rate of 4.3% p.a. (2013: 4.3% p.a.). The floating rates were at bank bill rates.

The Group had combined cross currency swap and interest rate swap contracts classified as cash flow hedges and cross currency swap contracts (excluding margins) classified as fair value hedges and US and Australian margins classified as cash flow hedges due on 30 April 2014 and 30 April 2016. These contracts were to manage interest rate and currency risks on US dollar denominated borrowings. As US denominated borrowings either matured or were repurchased on 1 October 2014, all interest rate swaps and cross currency swaps associated with these borrowings have either matured or been repurchased.

The net fair value of interest rate swap contracts at 31 December 2014 was $5,124,000 loss (2013: $6,595,000 loss). The Group classifies qualifying interest rate swap contracts as cash flow hedges.

Interest rate sensitivity analysis

At 31 December 2014, if interest rates had changed by -/+1% from the year end rates, with all other variables held constant, net profit for the year for the Group and equity would have changed by:

	2014		2013	
Dollars	**Net profit**	**Equity**	**Net profit**	**Equity**
Interest rates decrease 1%	**3,500,000**	**(1,900,000)**	2,000,000	(4,100,000)
Interest rates increase 1%	**(3,500,000)**	**1,800,000**	(2,000,000)	3,900,000

17. Financial instruments (continued)

(a) Interest rate risk (continued)

Interest rate risk exposure

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

Thousands of dollars

31 December 2014	Note	Floating interest rate	Fixed interest maturing in: Less than one year	Between one and five years	Greater than five years	Non-interest bearing	Total	Effective interest rate p.a.
Financial assets								
Cash at bank and on hand		**53,122**	**-**	**-**	**-**	**-**	**53,122**	**2.2%**
		53,122	**-**	**-**	**-**	**-**	**53,122**	
Financial liabilities								
Domestic medium term notes	14	**-**	**-**	**149,667**	**-**	**-**	**149,667**	**7.3%**
Subordinated note	14	**541,470**	**-**	**-**	**-**	**-**	**541,470**	**6.9%**
Lease liabilities	14	**-**	**110**	**1,032**	**-**	**-**	**1,142**	**10.0%**
		541,470	**110**	**150,699**	**-**	**-**	**692,279**	

Thousands of dollars

31 December 2013	Note	Floating interest rate	Fixed interest maturing in: Less than one year	Between one and five years	Greater than five years	Non-interest bearing	Total	Effective interest rate p.a.
Financial assets								
Cash at bank and on hand		199,922	-	-	-	-	199,922	3.1%
		199,922	-	-	-	-	199,922	
Financial liabilities								
US notes	14	147,341	56,216	-	-	-	203,557	9.9%
Domestic medium term notes	14	-	-	149,583	-	-	149,583	7.3%
Subordinated note	14	538,345	-	-	-	-	538,345	7.1%
Hedge payable	14	35,652	15,041	-	-	-	50,693	9.9%
Lease liabilities	14	-	147	-	-	-	147	14.0%
		721,338	71,404	149,583	-	-	942,325	

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

(b) Foreign exchange risk

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

Forward foreign exchange contracts and foreign currency options are used to hedge foreign currency payables in accordance with Group Policy. The Group implemented a foreign exchange policy in June 2010 of hedging 50% of the Group's US dollar denominated crude and products payable. From 1 August 2014, the amended foreign exchange policy increased to 80% of the Group's US dollar denominated crude and products payable. The Group also enters into forward foreign exchange contracts to cover major capital expenditure items. As at 31 December 2014, the total fair value of all outstanding forward contracts amounted to $2,851,000 gain (2013: $3,350,000 gain). US dollar denominated borrowings were swapped into Australian dollars; as a result, there were no net foreign currency gains or losses arising from translation of these borrowings.

Foreign exchange rate sensitivity analysis

At 31 December 2014, had the Australian dollar strengthened/weakened by 10% against the US dollar with all other variables held constant, post-tax profit for the year for the Group and equity would change by:

Dollars	2014 Net profit	2014 Equity	2013 Net profit	2013 Equity
AUD strengthens against USD 10%	**12,300,000**	**(50,000)**	29,100,000	(2,700,000)
AUD weakens against USD 10%	**3,000,000**	**60,000**	(30,300,000)	3,300,000

Exposure to foreign exchange risk

The carrying amounts of the Group's financial instruments are exposed to the following currencies (Australian dollar equivalent amounts):

Thousands of dollars (Australian dollar equivalent amounts)	2014 US dollar	2014 Australian dollar	2014 Total	2013 US dollar	2013 Australian dollar	2013 Total
Cash and cash equivalents	**6,115**	**47,007**	**53,122**	11,871	188,051	199,922
Trade receivables	**106,980**	**733,938**	**840,918**	86,283	905,298	991,581
Trade payables	**(598,722)**	**(587,286)**	**(1,186,008)**	(1,107,933)	(617,473)	(1,725,406)
Forward exchange contracts	**448**	**-**	**448**	3,350	-	3,350
Foreign currency option contracts	**2,403**	**-**	**2,403**	-	-	-
US notes	**-**	**-**	**-**	(203,557)	-	(203,557)
Hedge payable	**-**	**-**	**-**	(50,693)	-	(50,693)

17. Financial instruments (continued)

(c) Commodity price risk

The Group is exposed to the effect of changes in commodity price on its operations.

The Group utilises both crude and finished product swap contracts to manage the risk of price timing movements. The Board approved commodity hedging policy precludes the use of refiner margin hedging. The commodity hedging policy seeks to neutralise adverse price timing risks brought about by purchase and sales transactions that are outside the normal operating conditions of the Group. During the year, the Group employed hedge instruments to correct timing exposures.

(d) Customer credit risk

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

The credit risk on financial assets of the Group which have been recognised on the consolidated balance sheet is the carrying amount of trade debtors, net of allowances for impairment. See note 7.

Caltex has a Board approved Credit Policy and manual which provide the guidelines for the management and diversification of the credit risk to Caltex. The guidelines provide for the manner in which the credit risk of customers is assessed and the use of credit rating and other information in order to set appropriate limits of trade with customers. The credit quality of customers is consistently monitored in order to identify any potential adverse changes in the credit risk of the customers. Where sales to retail customers are settled in cash or using major credit cards, the credit risk is mitigated.

Caltex also minimises concentrations of credit risk by undertaking transactions with a large number of customers across a variety of industries and networks. Accordingly, there are not any significant concentrations of credit risk.

Security is required to be supplied by certain groups of Caltex customers to minimise risk. The security is predominantly in the form of general security interests over the customer's business and mortgages over the business property. However, mortgages are also held over directors' property such as residential houses or rural properties. Bank guarantees or insurance bonds are also provided in some cases.

The estimated realisable value of the security takes into consideration that the sale of the assets under the security may be in a distressed situation.

Financial institution credit risk

Credit risk on cash, short term deposits and derivative contracts is minimised by transacting with relationship banks which have acceptable credit ratings determined by a recognised ratings agency.

Swap and foreign exchange contracts are subject to credit risk in relation to the relevant counterparties, which are principally large relationship banks. Credit risk on crude and finished product swap contracts is minimised as counterparties are principally Chevron or large relationship banks.

The maximum credit risk exposure on foreign currency contracts is the full amount of the foreign currency that Caltex pays when settlement occurs, should the counterparty fail to pay the amount which it is committed to pay the Group. The full amount of the exposure is disclosed at note 17(e).

The credit risk on interest rate swaps is limited to the mark to market amount to be received from counterparties over the life of contracts that are favourable to the Group. As at 31 December 2014, there is no expected credit risk on any financial instruments (2013: nil).

(e) Liquidity risk management

Liquidity risk is the risk that an entity will encounter difficulty in maintaining obligations associated with financial liabilities.

The liquidity risk policy requires maintaining sufficient cash and an adequate amount of committed credit facilities to meet the forecast requirements of the business. Due to the dynamic nature of the underlying business, management maintains flexibility in funding by keeping additional committed credit facilities above forecast requirements.

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching maturity profiles of financial assets and liabilities.

The Group may from time to time seek to purchase and retire outstanding debt through cash purchases in open market transactions, privately negotiated transactions or otherwise. Any such repurchases would depend on prevailing market conditions, liquidity requirements and possibly other factors.

The table below analyses the Group's financial liabilities and net settled derivative financial instruments into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

17. Financial instruments (continued)
(e) Liquidity risk management (continued)

The amounts disclosed in the table are the contractual undiscounted cash flows.

31 December 2014		Weighted average effective interest %	Carrying amount $'000	Contractual cash flows $'000	Less than one year $'000	Between one and five years $'000	Greater than five years $'000
Interest bearing liabilities							
Domestic medium term notes		**7.3**	**149,667**	**182,659**	**10,886**	**171,773**	**-**
Subordinated note*		**6.9**	**541,470**	**654,296**	**38,633**	**615,663**	**-**
Lease liabilities		**10.0**	**1,142**	**1,546**	**219**	**1,327**	**-**
Payables							
Interest rate swaps		**4.3**	**5,124**	**5,458**	**3,718**	**1,740**	**-**
Forward FX contracts	- inflow	**-**	**(448)**	**(79,779)**	**(79,779)**	**-**	**-**
	- outflow	**-**	**-**	**79,424**	**79,424**	**-**	**-**
Foreign currency options	- inflow	**-**	**(2,403)**	**(213,910)**	**(213,910)**	**-**	**-**
	- outflow	**-**	**-**	**213,058**	**213,058**	**-**	**-**
Payables		**-**	**1,180,884**	**1,182,952**	**1,175,448**	**7,504**	**-**

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

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

(f) Capital management

The Group's and the parent entity's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

During 2014, the Group's strategy was to maintain a minimum long term credit rating of BBB+, in order to secure access to finance at a reasonable cost. The credit rating is impacted by two key ratios: Funds from Operations/Debt and Debt/Earnings Before Interest, Tax, Depreciation and Amortisation.

The Group's gearing ratio is calculated as net debt/total capital. Net debt is calculated as total interest bearing liabilities less cash and cash equivalents. Total capital is calculated as equity as shown in the balance sheet plus net debt.

The gearing ratios at 31 December 2014 and 31 December 2013 were as follows:

Thousands of dollars	2014	2013
Total interest bearing liabilities	**692,279**	942,325
Less: cash and cash equivalents	**(53,122)**	(199,922)
Net debt	**639,157**	742,403
Total equity	**2,532,591**	2,597,032
Total capital	**3,171,748**	3,339,435
Gearing ratio	**20.2%**	22.2%

17. Financial instruments (continued)

(g) Fair values of financial assets and liabilities

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

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

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

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

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

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

31 December 2014 Thousands of dollars	Asset/(liability) Carrying amount	Fair value total	Quoted market price (Level 1)	Observable inputs (Level 2)	Non-market observable inputs (Level 3)
Cash and cash equivalents	**53,122**	**53,122**	**53,122**	**-**	**-**
Receivables (i)	**840,918**	**840,918**	**-**	**840,918**	**-**
Interest bearing liabilities					
Domestic medium term notes (iii)	**(149,667)**	**(188,850)**	**-**	**(188,850)**	**-**
Subordinated note	**(541,470)**	**(579,634)**	**(579,634)**	**-**	**-**
Lease liabilities (v)	**(1,142)**	**(1,425)**	**-**	**(1,425)**	**-**
Payables					
Interest rate swaps (iv)	**(5,124)**	**(5,124)**	**-**	**(5,124)**	**-**
Forward foreign exchange contracts (iv)	**448**	**448**	**-**	**448**	**-**
Foreign currency options (iv)	**2,403**	**2,403**	**-**	**2,403**	**-**
Payables (i)	**(1,180,884)**	**(1,180,884)**	**-**	**(1,180,884)**	**-**
Total	**(981,396)**	**(1,059,026)**	**(526,512)**	**(532,514)**	**-**

31 December 2013 Thousands of dollars	Asset/(liability) Carrying amount	Fair value total	Quoted market price (Level 1)	Observable inputs (Level 2)	Non-market observable inputs (Level 3)
Cash and cash equivalents	199,922	199,922	199,922	-	-
Receivables (i)	991,581	991,581	-	991,581	-
Interest bearing liabilities					
US notes (ii)	(203,557)	(204,317)	-	(204,317)	-
Domestic medium term notes (iii)	(149,583)	(161,053)	-	(161,053)	-
Subordinated note	(538,345)	(593,483)	(593,483)	-	-
Cross currency swaps (iv)	(50,693)	(50,693)	-	(50,693)	-
Lease liabilities (v)	(147)	(152)	-	(152)	-
Payables					
Interest rate swaps (iv)	(6,595)	(6,595)	-	(6,595)	-
Forward foreign exchange contracts (iv)	3,350	3,350	-	3,350	-
Payables (i)	(1,718,811)	(1,718,811)	-	(1,718,811)	-
Total	(1,472,878)	(1,540,250)	(393,561)	(1,146,689)	-

17. Financial instruments (continued)

(g) Fair values of financial assets and liabilities (continued)

Estimation of fair values

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

(i) Receivables/payables

For receivables/payables with a remaining life of less than six months, the notional amount is deemed to reflect the fair value. All other receivables/payables are discounted to determine the fair value, if the effect of discounting is material.

(ii) US notes

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

(iii) Domestic medium term notes

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

(iv) Derivatives

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

(v) Lease liabilities

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

(h) Interest rates

Caltex used the government bond rate as of 31 December 2014 plus an adequate constant credit spread to discount financial instruments. The annual interest rates used are as follows:

	2014	**2013**
Lease liabilities	**2%**	3%
Receivables	**4%**	4%
Payables	**2 - 5%**	2 – 5%

Thousands of dollars	2014	2013
18. Employee benefits		
Non-current assets		
Defined benefit superannuation asset	**6,719**	-
Total asset for employee benefits	**6,719**	-
Current liabilities		
Liability for annual leave	**34,885**	42,630
Liability for long service leave	**9,265**	22,167
Liability for termination benefits	**58,898**	73,072
Bonus accrued	**60,152**	8,341
	163,200	146,210
Non-current liabilities		
Liability for long service leave	**43,600**	46,283
Liability for termination benefits	**9,791**	24,286
Defined benefit superannuation obligation	**5,862**	20,317
	59,253	90,886
Total liability for employee benefits	**215,734**	237,096

(a) Employee benefits

The current balances for employee benefits, which include annual leave, long service leave, employee bonus, redundancy and retirement benefits, represent the present value of the estimated future cash outflows to be made by the Group resulting from employees' services provided up to the balance date.

Employee benefits which are not expected to be settled within 12 months are calculated using future expected increases in salary rates, including related oncosts, turnover rates, and expected settlement dates based on turnover history, and are discounted using the rates attaching to the national government securities which most closely match the terms of maturity of the related liabilities.

(b) Superannuation commitments

The Group contributes to superannuation plans to provide benefits to employees and their dependants upon retirement, disability or death. Employer contributions (where applicable) are based on a percentage of salary. The employer is committed to contribute to the plans as prescribed by the relevant trust deeds and relevant legislation.

Caltex Australia Superannuation Plan - Defined Benefit Division

The Caltex Australia Superannuation Plan - Defined Benefit Division is predominantly a defined benefit plan, but it also includes the retirement account, which is a defined contribution payable by the Group.

Information from the most recent actuarial valuation for the defined benefit plan at 31 December 2014 follows:

Thousands of dollars	2014	2013
Movements in the net (asset)/liability for defined benefit obligation recognised in the balance sheet		
Net liability for defined benefit obligation at the beginning of the year	**20,317**	58,372
Current service cost	**4,981**	8,263
Net interest	**291**	1,149
Actual return on plan assets less interest income	**(9,765)**	(11,055)
Actuarial losses arising from changes in demographic assumptions	**758**	-
Actuarial losses/(gains) arising from changes in financial assumptions	**4,437**	(18,620)
Actuarial gains arising from liability experience	**(4,038)**	(795)
Employer contributions	**(15,963)**	(15,982)
Benefits paid	**(1,875)**	(1,015)
Net (asset)/liability for defined benefit obligation at the end of the year	**(857)**	20,317
Represented by:		
Defined benefit (asset)/liability - Accumulation Division	**(6,719)**	11,584
Defined benefit liability - Guaranteed Retirement Payment Plan benefit	**5,862**	8,733
Net (asset)/liability for defined benefit obligation at the end of the year	**(857)**	20,317
Reconciliation of the present value of the defined benefit		
Present value of defined benefit obligation at the beginning of the year	**182,522**	204,108
Current service cost	**4,981**	8,263
Interest cost	**5,151**	4,844
Contributions by plan participants	**1,944**	1,941
Actuarial losses arising from changes in demographic assumptions	**758**	-
Actuarial losses/(gains) arising from changes in financial assumptions	**4,437**	(18,620)
Actuarial gains arising from liability experience	**(4,038)**	(795)
Benefits paid	**(76,889)**	(17,219)
Present value of defined benefit obligation at the end of the year	**118,866**	182,522

18. Employee benefits (continued)
(b) Superannuation commitments (continued)
Plan assets

Thousands of dollars	2014	2013
Reconciliation of the fair value of plan assets		
Fair value of plan assets at the beginning of the year	**162,205**	145,736
Actual return on plan assets less interest income	**9,765**	11,055
Interest income	**4,860**	3,695
Employer contributions	**15,963**	15,982
Contributions by plan participants	**1,944**	1,941
Benefits paid	**(75,014)**	(16,204)
Fair value of plan assets at the end of the year	**119,723**	162,205
Reconciliation of the net liability recognised in the balance sheet		
Defined benefit obligation	**118,866**	182,522
Fair value of plan assets	**(119,723)**	(162,205)
Net liability	**(857)**	20,317
Actuarial gains and losses recognised in other comprehensive income		
Actuarial losses/(gains) recognised in other comprehensive income	**1,157**	(19,415)
Actual return on plan assets less interest income	**(9,765)**	(11,055)
	(8,608)	(30,470)

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

	2014	2013
The percentage invested in each asset class at the balance sheet date was:		
Australian equity	**13%**	15%
International equity	**16%**	17%
Fixed income	**33%**	31%
Alternatives/Other	**18%**	15%
Property	**5%**	5%
Cash	**15%**	17%

The fair value of plan assets includes no amounts relating to any of the company's own financial instruments, and any property occupied by, or other assets used by, the company.

The expected return on assets assumption is determined by weighting the expected long term return for each asset class by the target allocation of assets to each asset class. The returns used for each asset class are net of investment tax and investment fees.

Principal actuarial assumptions at the balance sheet date (% p.a.)	2014	2013
Discount rate	**2.4%**	3.0%
Expected salary increase rate	**3.0%**	2 - 3%

Expected employer contributions for the reporting year to 31 December 2015 is $611,000.

Sensitivity analysis

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

Thousands of dollars	2014		2013	
	Increase	**Decrease**	**Increase**	**Decrease**
Discount rate (0.5% movement)	**(2,422)**	**2,427**	(2,266)	2,433
Expected salary rate (0.5% movement)	**2,289**	**(2,211)**	2,259	(2,086)

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

Caltex Australia - Guaranteed Retirement Payment Plan benefit
The Caltex Australia Guaranteed Retirement Payment Plan (GRPP) is a benefit for which, if necessary, the company will supplement an eligible member's entitlement from the accumulation division to guarantee a minimum total payment. Balances relating to this benefit have been included in the overall defined benefit figures presented in note 18(b) in the financial statements.

Caltex Australia Superannuation Plan - Accumulation Division
As this is a defined contribution plan, no actuarial review has been performed on this plan. The plan benefits to members are as described in the trust deed. Funds are available to satisfy all vested benefits in the event of termination of the fund or the voluntary or compulsory termination of employment of each employee of the participating employers.

Thousands of dollars	2014	2013
Employer contributions to the accumulation division plan during the year	**16,855**	19,264

19. Commitments

(a) Capital expenditure

Thousands of dollars	2014	2013
Capital expenditure contracted but not provided for in the financial report and payable	**63,162**	62,162

(b) Leases

Finance leases

	31 December 2014			31 December 2013		
Thousands of dollars	Minimum lease payments	Interest	Principal	Minimum lease payments	Interest	Principal
Within one year	**219**	**109**	**110**	152	5	147
Between one and five years	**1,328**	**296**	**1,032**	-	-	-
	1,547	**405**	**1,142**	152	5	147

The Group leases production plant and equipment under finance leases expiring from one to five years. No contingent rentals were paid during the year (2013: nil).

Operating leases

Thousands of dollars	2014	2013
Non-cancellable operating leases - Group as lessee		
Future minimum rentals payable:		
Within one year	**142,133**	129,979
Between one and five years	**429,856**	382,605
After five years	**337,572**	177,347
	909,561	689,931

The Group leases property under operating leases expiring from one to 37 years. Leases generally provide the Group with a right of renewal at which time all terms are renegotiated. Lease payments comprise mainly a base amount; however, in a few cases, they include a base amount and incremental contingent rental. Contingent rentals are based on operating performance criteria. Contingent rentals of $383,476 were paid during the year (2013: $87,594).

The expense recognised in the income statement during the year in respect of operating leases is $160,549,000 (2013: $136,643,000).

There are no restrictions placed upon the Group by entering into these leases. Renewals are at the option of the specific entity that holds the lease.

Thousands of dollars	2014	2013
Non-cancellable operating leases - Group as lessor		
Future minimum rentals receivable:		
Within one year	**70,580**	78,923
Between one and five years	**150,124**	149,042
After five years	**21,845**	19,119
	242,549	247,084

The Group leases property under operating leases expiring from one to 17 years. Some of the leased properties have been sublet by the Group. The leases and subleases expire between 2015 and 2032.

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

20. Contingent assets and liabilities

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

Thousands of dollars	2014	2013
(a) Contingent assets - legal and other claims	**-**	-

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

	2014	2013
(b) Contingent liabilities - legal and other claims	-	-

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

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

(c) Bank guarantees

The Group has granted indemnities to banks to cover bank guarantees given on behalf of controlled entities to a maximum exposure of $2,627,856 (2013: $2,192,587).

(d) Deed of Cross Guarantee and class order relief

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

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

No companies have been added to or removed from the Deed of Cross Guarantee during the year ended 31 December 2014 or from 1 January 2015 to the date of signing this financial report.

Dollars	2014	2013
21. Auditor's remuneration		
Audit services - KPMG Australia	**995,900**	919,400
Non-audit services - KPMG Australia:		
Other assurance services	**34,800**	81,400
Taxation services	**43,700**	70,000
	78,500	151,400

22. Particulars in relation to controlled entities

(a) Name	Note	% interest 2014	2013
Companies			
Ampol Bendigo Pty Ltd	(iii)	**100**	100
Ampol International Holdings Pte Ltd	(ii)	**100**	100
Ampol Management Services Pte Ltd	(ii), (viii)	**100**	100
Ampol Property (Holdings) Pty Ltd	(iii)	**100**	100
Ampol Refineries (Matraville) Pty Ltd		**100**	100
Ampol Singapore Trading Pte Ltd	(ii), (ix)	**100**	100
Ampol Road Pantry Pty Ltd		**100**	100
Australian Petroleum Marine Pty Ltd	(iii)	**100**	100
B & S Distributors Pty Ltd	(iv)	**50**	50
Bowen Petroleum Services Pty Ltd		**100**	100
Brisbane Airport Fuel Services Pty Ltd		**100**	100
Calgas Pty Ltd		**100**	100
Calstores Pty Ltd	(iii), (vi)	**100**	100
Caltex Australia Custodians Pty Ltd		**100**	100
Caltex Australia Management Pty Ltd		**100**	100
Caltex Australia Nominees Pty Ltd		**100**	100
Caltex Australia Petroleum Pty Ltd	(iii)	**100**	100
Caltex Fuel Services Pty Ltd	(iii)	**100**	100
Caltex Lubricating Oil Refinery Pty Ltd	(iii)	**100**	100
Caltex Petroleum (Qld) Pty Ltd	(iii)	**100**	100
Caltex Petroleum (Victoria) Pty Ltd	(iii)	**100**	100
Caltex Petroleum Pty Ltd	(iii)	**100**	100
Caltex Petroleum Services Pty Ltd	(iii)	**100**	100
Caltex Refineries (NSW) Pty Ltd	(iii)	**100**	100
Caltex Refineries (Qld) Pty Ltd	(iii)	**100**	100
Circle Petroleum (Q'land) Pty Ltd		**100**	100
Cocks Petroleum Pty Ltd		**100**	100
Cooper & Dysart Pty Ltd		**100**	100
Graham Bailey Pty Ltd	(iii)	**100**	100
Hanietee Pty Ltd	(iii)	**100**	100
Hunter Pipe Line Company Pty Ltd	(iii)	**100**	100
Jayvee Petroleum Pty Ltd		**100**	100
Jet Fuels Petroleum Distributors Pty Ltd	(iii)	**100**	100
Link Energy Pty Ltd		**100**	100
Manworth Pty Ltd		**100**	100
Newcastle Pipe Line Company Pty Ltd	(iii)	**100**	100
Northern Marketing Management Pty Ltd		**100**	100
Northern Marketing Pty Ltd	(iii)	**100**	100
Octane Insurance Pte Ltd	(ii)	**100**	100
Pilbara Fuels Pty Ltd		**100**	100
R & T Lubricants Pty Ltd	(iii)	**100**	100
Ruzack Nominees Pty Ltd		**100**	100
Solo Oil Australia Pty Ltd		**100**	100
Solo Oil Corporation Pty Ltd		**100**	100
Solo Oil Investments Pty Ltd	(iii)	**100**	100
Solo Oil Pty Ltd	(iii)	**100**	100
South Coast Oils Pty Ltd		**100**	100
South East Queensland Fuels Pty Ltd		**100**	100
Sydney Metropolitan Pipeline Pty Ltd	(iv)	**60**	60
Teraco Pty Ltd	(iv)	**50**	50
Tulloch Petroleum Services Pty Ltd	(iii)	**100**	100
Western Fuel Distributors Pty Ltd	(iv)	**50**	50
Unit trusts			
Eden Equity Unit Trust	(v)	**100**	100
Petroleum Leasing Unit Trust	(vi)	**100**	100
Petroleum Properties Unit Trust	(vi)	**100**	100
South East Queensland Fuels Unit Trust	(vii)	**100**	100

22. Particulars in relation to controlled entities (continued)

(a) Name (continued)

(i) All companies were incorporated in Australia except those companies noted in (ii). The unit trusts were formed in Australia.

(ii) These companies were incorporated in Singapore.

(iii) These companies are parties to a Deed of Cross Guarantee dated 22 December 1992 with Caltex Australia Limited each other. As parties to the Deed of Cross Guarantee, and by virtue of ASIC Class Order CO 98/1418, these companies and are relieved from certain requirements of the *Corporations Act.* Under the Deed of Cross Guarantee, each company agrees to guarantee all of the debts (in full) of all companies that are parties to the deed subject to, and in accordance with, the terms set out in the deed. No companies have been added to or removed from the Deed of Cross Guarantee during the year ended 31 December 2014 or from 1 January 2015 to the date of signing this financial report.

(iv) These entities have been included as controlled entities in accordance with AASB 127 Consolidated and Separate Financial Statements. In each case, control exists because a company within the Caltex Australia Group has the ability to dominate the composition of the entity's board of directors, or enjoys the majority of the benefits and is exposed to the majority of the risks of the entity.

(v) Caltex Petroleum Services Pty Ltd is the sole unit holder of this trust.

(vi) Solo Oil Pty Ltd is the sole unit holder of these trusts.

(vii) Caltex Australia Petroleum Pty Ltd and Caltex Petroleum Services Pty Ltd each own half of the units in this trust.

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

(ix) Ampol Singapore Trading Pte Ltd changed its name from Ampol Singapore Holdings Pte Ltd on 14 March 2013.

22. Particulars in relation to controlled entities (continued)

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

Thousands of dollars	2014	2013
Revenue	**24,181,616**	24,652,221
Cost of goods sold - historical cost	**(22,710,323)**	(22,782,130)
Gross profit	**1,471,293**	1,870,091
Other income	**(21,730)**	44,881
Operating expenses	**(1,319,134)**	(1,089,172)
Finance costs	**(111,370)**	(88,791)
Share of profit of equity-accounted investees	**917**	158
Profit before income tax expense	**19,976**	737,167
Income tax expense	**(5,367)**	(204,785)
Net profit	**14,609**	532,382
Retained earnings at the beginning of the year	**2,036,998**	1,591,287
Movement in reserves	**6,026**	21,329
Dividends provided for or paid	**(99,900)**	(108,000)
Retained earnings at the end of the year	**1,957,733**	2,036,998

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

Thousands of dollars	2014	2013
Current assets		
Cash and cash equivalents	**38,707**	189,960
Receivables	**869,988**	1,014,367
Inventories	**936,689**	2,027,857
Current tax asset	**56,957**	-
Other	**31,963**	34,902
Total current assets	**1,934,304**	3,267,086
Non-current assets		
Receivables	**3,246**	3,048
Investments accounted for using the equity method	**24,181**	23,863
Other investments	**3**	3
Property, plant and equipment	**2,321,944**	2,084,695
Intangibles	**163,035**	119,094
Deferred tax assets	**444,558**	471,036
Employee benefits	**6,719**	-
Other	**907**	2,474
Total non-current assets	**2,964,593**	2,704,213
Total assets	**4,898,897**	5,971,299
Current liabilities		
Payables	**983,423**	1,700,183
Interest bearing liabilities	**115**	71,407
Current tax liabilities	**-**	55,361
Employee benefits	**163,200**	146,210
Provisions	**164,583**	82,560
Total current liabilities	**1,311,321**	2,055,721
Non-current liabilities		
Payables	**7,641**	-
Interest bearing liabilities	**692,169**	870,921
Employee benefits	**59,253**	90,886
Provisions	**332,678**	383,986
Total non-current liabilities	**1,091,741**	1,345,793
Total liabilities	**2,403,062**	3,401,514
Net assets	**2,495,835**	2,569,785
Equity		
Issued capital	**543,415**	543,415
Treasury stock	**(607)**	(610)
Reserves	**(4,706)**	(10,018)
Retained earnings	**1,957,733**	2,036,998
Total equity	**2,495,835**	2,569,785

	% interest 2014	% interest 2013	Balance date
23. Investments accounted for using the equity method			
(a) Investments in associates and joint ventures			
Airport Fuel Services Pty Ltd	**40**	40	31 December
Australasian Lubricants Manufacturing Company Pty Ltd	**50**	50	31 December
Cairns Airport Refuelling Service Pty Ltd	**25**	25	31 December
Geraldton Fuel Company Pty Ltd	**50**	50	31 December
South Coast Fuels Pty Ltd (i)	**50**	50	31 December

(i) South Coast Fuels Pty Ltd was voluntarily deregistered on 14 January 2015

The companies listed in the above table were all incorporated in Australia and are principally concerned with the sale, marketing and/or distribution of fuel products.

(b) Investments in associates

Thousands of dollars	Revenue (100%)	Profit (100%)	Share of associates' net profit recognised	Total assets (100%)	Total liabilities (100%)	Net assets as reported by associates (100%)	Share of associates' net assets equity accounted
2014	**1,407,645**	**3,762**	**1,372**	**25,443**	**9,797**	**15,646**	**7,696**
2013	159,412	4,003	1,138	26,651	12,682	13,969	6,923

	2014	2013
Results of associates		
Share of associates' profit before income tax expense	**1,966**	1,610
Share of associates' income tax expense	**(590)**	(482)
Share of associates' net profit	**1,376**	1,128
Unrealised profit in inventories	**(4)**	10
Share of associates' net profit - equity accounted	**1,372**	1,138
Commitments		
Share of associates' capital expenditure contracted but not provided for in the financial report and payable:		
Within one year	**-**	-
Share of associates' operating lease commitments not provided for in the financial report and payable:		
Within one year	**173**	190
Between one and five years	**340**	951
	513	1,141
Share of associates' finance lease commitments not provided for in the financial report and payable:		
Within one year	**788**	854
Between one and five years	**1,397**	1,797
	2,185	2,651
Future finance charges	**(165)**	(290)
	2,020	2,361

23. Investments accounted for using the equity method (continued)

(c) Investments in joint ventures

Thousands of dollars	Revenue (100%)	Loss (100%)	Share of joint ventures' net loss recognised	Total assets (100%)	Total liabilities (100%)	Net (liabilities)/ assets as reported by joint venture (100%)	Share of joint ventures' net assets equity accounted
2014	**495,495**	**(458)**	**(455)**	**382,444**	**383,251**	**(807)**	**16,485**
2013	468,084	(415)	(980)	342,579	339,579	3,000	16,940

	2014	2013
Results of joint ventures		
Share of joint ventures' loss before income tax expense	**(413)**	(291)
Share of joint ventures' income tax benefit	**124**	88
Share of joint ventures' net loss	**(289)**	(203)
Unrealised loss in inventories	**(166)**	(777)
Share of joint ventures' net loss - equity accounted	**(455)**	(980)
Joint ventures' assets and liabilities		
Current assets	**377,601**	341,776
Non-current assets	**4,843**	803
Total assets	**382,444**	342,579
Current liabilities	**369,623**	324,165
Non-current liabilities	**13,628**	15,414
Total liabilities	**383,251**	339,579
Commitments		
Share of joint ventures' capital expenditure contracted but not provided for in the financial report and payable:		
Within one year	**-**	-
Share of joint ventures' operating lease commitments not provided for in the financial report and payable:		
Within one year	**1,111**	1,233
Between one and five years	**2,659**	4,040
	3,770	5,273

(d) Reconciliation to income statement

	2014	2013
Share of net profit of associates accounted for using the equity method	**1,372**	1,138
Share of net loss of joint ventures accounted for using the equity method	**(455)**	(980)
	917	158

(e) Reconciliation to balance sheet

	2014	2013
Investment in associates accounted for using the equity method	**7,696**	6,923
Investment in joint ventures accounted for using the equity method	**16,485**	16,940
	24,181	23,863

24. Interest in joint venture operations

The Group has joint interests in multiple Joint User Hydrant Installations (JUHIs), which are based at airports across Australia. The principal activity of the JUHIs is refuelling aircraft at the airports. For the year ended 31 December 2014, the contribution of the JUHIs to the operating profit of the Group was nil (2013: nil). Included in the assets and liabilities of the Group are the Group's interests in the assets and liabilities employed in the joint venture operation:

Thousands of dollars	2014	2013
Non-current assets		
Plant and equipment expenditure	**56,852**	55,008
Less: accumulated amortisation	**(33,282)**	(32,720)
Total non-current assets	**23,570**	22,288
Total assets	**23,570**	22,288

25. Notes to the cash flow statements

(a) Reconciliation of cash and cash equivalents

For the purposes of the cash flow statements, cash and cash equivalents includes:

	2014	2013
Cash at bank	**53,122**	199,922
Total cash and cash equivalents	**53,122**	199,922

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

	2014	2013
Net profit	**22,670**	528,757
Adjustments for:		
Net gain on sale of property, plant and equipment	**(726)**	(44,881)
Interest paid capitalised	**(14,693)**	(7,238)
Amortisation of finance costs	**(9,721)**	4,359
Depreciation/amortisation of property, plant and equipment	**185,119**	155,079
Amortisation of intangibles	**17,866**	10,538
Treasury stock movements net of expense	**(1,921)**	(13,253)
Share of associates' and joint ventures' net (loss)/profit	**(317)**	292
Movements in assets and liabilities:		
Decrease in receivables	**150,663**	58,340
Decrease/(increase) in inventories	**921,025**	(373,433)
Decrease in other assets	**3,130**	6,392
(Decrease)/increase in payables	**(535,150)**	220,925
(Decrease)/increase in current tax liabilities	**(112,065)**	45,499
Increase in deferred tax assets	**25,774**	44,708
Increase/(decrease) in provisions	**9,915**	(28,144)
Net operating cash inflows	**661,569**	607,940

26. Business combinations

2014

Scott's Fuel Divisions (Scott's)

On 4 June 2014, Caltex acquired the assets and liabilities of the Scott's Fuel Divisions (Scott's) for a consideration of $86,466,000 plus incidental acquisition costs. This acquisition included the businesses known as Scott's Agencies and Sabadin Petroleum.

The Scott’s Fuel Divisions operate throughout the regional areas of South Australia, Victoria, southern New South Wales and southern/central Northern Territory. This extensive network consists of 28 retail service stations and 18 depots.

The acquisition complements Caltex's existing national network and is consistent with Caltex's strategy of being Australia's leading transport fuels provider.

In the seven months up to 31 December 2014, Scott's contributed a gross sales revenue of $180,395,000 and a net profit of $10,094,000 to the consolidated gross sales revenue and net profit for the year. If the acquisition had occurred on 1 January 2014, the Group estimates that gross sales revenue would have been $286,000,000 greater and net profit would have been $9,500,000 greater.

The acquisition had the following effect on the Group’s assets and liabilities:

Thousands of dollars	Recognised values
Intangibles	**8,101**
Property, plant and equipment	**42,202**
Inventories	**11,252**
Deferred tax assets	**3,752**
Provisions	**(8,414)**
Net identifiable assets and liabilities	**56,893**
Goodwill on acquisition	**29,573**
Consideration paid, satisfied in cash	**86,466**
Net cash outflow	**(86,466)**

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

Intangible assets acquired of $8,101,000 represents the amount paid to Scott's for customer relationships and trade restraint, which meets the criteria for recognition as a separately identifiable intangible asset at the date of acquisition. These intangible assets are to be amortised over the remainder of the agreement term.

Goodwill acquired of $29,573,000 represents other intangible assets that did not meet the criteria for recognition as separately identifiable assets at the date of acquisition. None of the goodwill recognised is expected to be deductible for tax purposes.

There were no other material business combinations during the year ended 31 December 2014.

26. Business combinations (continued)

2013

Queensland Fuel Group (QFG)

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

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

In the three months up to 31 December 2013, QFG contributed a gross sales revenue of $52,433,701 and a net profit of $3,264,375 to the consolidated gross sales revenue and net profit for the year. If the acquisition had occurred on 1 January 2013, the Group estimates that gross sales revenue would have been $210,723,852 greater and net profit would have been $14,065,658 greater.

The acquisition had the following effect on the Group's assets and liabilities:

Thousands of dollars	Recognised values
Intangibles	8,797
Property, plant and equipment	2,265
Inventories	2,915
Receivables	280
Provisions	(228)
Net identifiable assets and liabilities	14,029
Goodwill on acquisition	28,938
Consideration paid, satisfied in cash	42,967
Net cash outflow	(42,967)

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

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

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

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

2014

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

2013

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

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

Thousands of dollars	2014	2013
27. Financing arrangements		
The Group has access to the following lines of credit:		
Total facilities available:		
Bank overdrafts	**22,223**	41,232
Bank loans and capital markets	**1,541,137**	2,092,178
	1,563,360	2,133,410
Facilities utilised at balance date:		
Bank overdrafts	**-**	839
Bank loans and capital markets	**691,137**	942,178
	691,137	943,017
Facilities not utilised at balance date:		
Bank overdrafts	**22,223**	40,393
Bank loans and capital markets	**850,000**	1,150,000
	872,223	1,190,393

These facilities are unsecured and have an average maturity of 2.9 years (2013: 2.6 years) assuming the subordinated notes are repaid on the first call date (15 September 2017).

28. Related party information

(a) Key management personnel

The key management personnel of the Group during 2014 and 2013 were:

(i) Directors of Caltex Australia Limited during 2014 and 2013:

Current directors

Ms Elizabeth Bryan, Chairman and Independent, Non-Executive Director
Mr Julian Segal, Managing Director & CEO
Mr Trevor Bourne, Independent, Non-executive Director
Mr Richard Brown, Non-executive Director
Ms Barbara Burger, Non-executive Director
Mr Greig Gailey, Independent, Non-executive Director
Mr Ryan Krogmeier, Non-executive Director
Mr Bruce Morgan, Independent, Non-executive Director (from 29 June 2013)

Former director

Mr John Thorn, Independent, Non-executive Director (to 9 May 2013)

Former alternate director

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

**Ms Colleen Jones-Cervantes previously served as alternate director for Mr Krogmeier (from 30 March 2012) and Mr Brown and Ms Burger (from 28 June 2012).*

(ii) Senior executives

Current senior executives

Mr Julian Segal, Managing Director & CEO
Mr Andrew Brewer, General Manager - Supply Chain Operations (from 31 March 2014)
Mr Simon Hepworth, Chief Financial Officer
Mr Peter Lim, General Manager - Legal & Corporate Affairs
Mr Mike McMenamin, General Manager - Strategy, Planning & Development
Mr Bruce Rosengarten, General Manager - Marketing (from 1 November 2013)
Mr Gary Smith, General Manager - Refining & Supply (to 9 May 2014)
Mr Simon Willshire, General Manager - Human Resources

Former senior executive

Mr Andy Walz, General Manager - Marketing (to 31 March 2013)

(b) Key management personnel compensation

Dollars	2014	2013
Short term benefits	**10,511,019**	8,535,008
Other long term benefits	**218,675**	727,720
Post-employment benefits	**294,518**	315,382
Share based payments	**4,900,945**	4,008,445
	15,925,157	13,586,555

Information regarding directors' and executives' compensation and some equity instruments disclosures is provided in the Remuneration Report section of the Directors' Report on pages 23 to 50.

28. Related party information (continued)

(c) Other related entities

Chevron Global Energy Inc. holds a 50% interest in Caltex Australia Limited. Transactions with the Chevron Group are summarised below.

On 26 July 2012, Caltex Australia Limited announced a restructuring of its supply chain. As part of this supply chain restructuring, an agreement was made with Chevron for the procurement and supply of transport fuels (petrol, diesel and jet fuel) with associated shipping services to provide a reliable and efficient supply of imported product. This agreement was put in place to provide certainty of product supply and to meet the shortfall following Kurnell refinery's conversion to an import terminal and growing demand. This agreement is on arm's length terms and at market based prices.

The Group paid $7,070,000 (2013: $6,135,000) to the Chevron Group for technical service fees. The Group received $5,244,000 (2013: $3,558,000) for technical service fees from the Chevron Group. These fees are in the ordinary course of business and on normal commercial terms and conditions.

The Group paid $1,146,000 (2013: $1,469,000) to the Chevron Group, including Iron Horse Insurance Company for insurance coverage. Dealings with Iron Horse Insurance Company are in the ordinary course of business and on normal commercial terms and conditions.

The Group purchased crude, other refinery feedstocks and petroleum products from the Chevron Group of $4,355,821,000 (2013: $6,004,682,000). The Group sold crude, other refinery feedstocks and petroleum products to the Chevron Group of $393,366,000 (2013: $466,993,000). These purchases and sales are in the ordinary course of business and on normal commercial terms and conditions.

Payments were made to the Chevron Group in 2013 (2014: nil) in respect of the secondment of Mr Walz. Details of these payments are shown in the Remuneration Report on pages 23 to 50.

The Chevron Group seconded three employees (2013: one employee) primarily to provide specialist expertise at Lytton refinery and specialist support to the Strategy, Planning & Development group. The total cost borne by Caltex Australia in respect of these secondees was $1,790,157 (2013: $448,809 for one secondee). This cost includes salary and bonuses, allowances including relocation, and indirect payroll related expenses.

Caltex Australia seconded 6 employees to various roles within the Chevron Group during 2014 (2013: seven employees). Caltex paid the salary and bonuses, allowances including relocation, and indirect payroll related expenses for two of these Caltex employees and the Chevron Group paid the associated costs for the remaining four employees.

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

(d) Associates

The Group sold petroleum products to associates totalling $123,073,000 (2013: $135,910,000). The Group received income from associates for rental income of $149,000 (2013: $145,457).

Details of associates are set out in note 23. Amounts receivable from associates are set out in note 7. Dividend and disbursement income from associates is $600,000 (2013: $450,000).

Caltex has interests in associates primarily for the marketing, sale and distribution of fuel products. Details of Caltex's interests are set out in note 23.

(e) Joint ventures

Caltex has interests in joint ventures primarily for the marketing, sale and distribution of fuel products. There were no related party transactions with Caltex's joint venture entities during 2014 (2013: nil). Details of Caltex's interests are set out in notes 23 and 24.

(f) Executive share plan and performance rights

Executive share plan

Since 1 January 2010, a mandatory deferral of short term incentives (STI) applies to senior executives. Under the deferral policy, one third of their STI, as long as the incentive is greater than $105,000, will be delivered in Caltex shares, which have a six month service related forfeiture risk and are restricted from sale for two years.

The directors approved the 2014 STI in February 2015 which includes a deferred value of $1,140,865 with a vesting date in October 2015 and will be held under restriction until April 2017. The number of shares to be issued to plan participants will be purchased on market during April 2015.

No STI was awarded to senior executives for the 2013 year due to Caltex failing to meet the required profit thresholds under the Rewarding Results Plan.

The 2012 STI was approved in February 2013 for a total value of $2,425,000 which equated to 115,993 shares at a grant date fair value of $20.90 per share (formalised in April 2013). The service related forfeiture condition was met in October 2013 and the shares will be held under restriction until April 2015.

28. Related party information (continued)

(f) Executive share plan and performance rights (continued)

Performance rights

Since 1 January 2007, senior executives may receive performance rights under Caltex Australia Limited's Equity Incentive Plan, based on the achievement of specific targets related to the performance of the Group. The measure of performance is Total Shareholder Returns (TSR) over a three year period relative to two comparator groups.

Summary of performance rights in the plan:

Opening balance	Granted			Vested during the year			Lapsed during the year			Closing balance	
Number of performance rights	Start date	Number performance rights	Fair value of performance rights ($)	Distribution date	Number of performance rights	Weighted average fair value per share ($)	Lapsed date	Number of performance rights	Weighted average fair value per share ($)	Number of performance rights	Fair value aggregate ($)
2014											
1,561,834	7 April 14	405,972	12.57	28 February 14	(17,200)	20.98	28 February 14	(40,904)	-	1,340,033	13,155,109
611,151	7 April 14	135,324	22.18	1 April 14	(245,667)	21.59	1 April 14	(361,262)	-	215,272	1,618,845
264,662	7 April 14	135,324	20.16	9 May 14	(18,617)	22.47	9 May 14	(130,094)	-	462,806	9,402,724
				4 July 14	(33,403)	22.25	4 July 14	(90,698)	-		
				30 September 14	(29,828)	27.99	1 August 14	(7,940)	-		
				31 December 14	(23,211)	34.21	30 September 14	(67,059)	-		
							31 December 14	(30,273)	-		
2,437,647		676,620			(367,926)			(728,230)		2,018,111	24,176,678
2013											
1,456,331	22 April 13	400,584	10.98	2 April 13	(825,373)	22.54	2 April 13	(262,081)	-	1,561,834	12,955,560
1,450,983	22 April 13	267,056	19.42	8 March 13	(8,667)	22.38	8 March 13	(6,047)	-	611,151	3,723,317
				15 April 13	(10,537)	21.93	15 April 13	(18,617)	-	264,662	5,139,736
							23 August 13	(5,985)	-		
2,907,314		667,640			(844,577)			(292,730)		2,437,647	21,818,613

The inputs used in the measurement of the fair values at each grant date were as follows:

	2014 grant		2013 grant		2012 grant	
	ASX 100 Accumulation Index	**Free cash flow and strategic hurdle**	**ASX 100 Accumulation Index**	**Free cash flow and strategic hurdle**	**ASX 100 Accumulation Index**	**International refining and marketing companies**
Grant date	7 April 2014	7 April 2014	22 April 2013	22 April 2013	2 April 2012	2 April 2012
Vesting date	1 April 2017	1 April 2017	1 April 2016	1 April 2016	1 April 2015	1 April 2015
Fair value at grant date	$ 12.57	$ 20.16	$ 10.98	$ 19.42	$ 7.69	$ 7.52
Share price at grant date	$ 21.85	$ 21.85	$ 20.60	$ 20.60	$ 14.03	$ 14.03
Volatility	35%	35%	40%	40%	45%	45%
Dividend yield	2.7%	2.7%	2.0%	2.0%	4.7%	4.7%
Risk free interest rate	3.0%	3.0%	2.7%	2.7%	3.5%	3.5%

Thousands of dollars	**2014**	**2013**
Executive share plan expense	**7,050**	8,181

29. Net tangible assets per share

	2014	**2013**
Net tangible assets per share (dollars)	**8.64**	9.05

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 (2013: 270 million).

30. Segmented reporting

(a) Segment disclosures

The accounting policies used by the Group in reporting segments are detailed in note 1.

Types of products and services
The following summary describes the operations in each of the Group's reportable segments:

Marketing
The Marketing function promotes and sells Caltex fuels, lubricants, specialty products and convenience store goods through a national network of Caltex, Caltex Woolworths and Ampol branded service stations, as well as through company owned and non-equity resellers and direct sales to corporate customers.

Supply Chain
Caltex sources the supply of both crude oil and refined products on the international market and refines crude oil into petrol, diesel, jet fuel, along with small amounts of fuel oil and specialty products, liquid gas petroleum and other gases. Caltex buys and sells products and schedules product movements to meet marketing sales and the company's broad distribution capabilities encompass pipelines, terminals, depots and both a company and contracted transportation fleet.

(b) Information about reportable segments

	Marketing		Supply Chain		Total Operating Segments	
Thousands of dollars	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Gross segment revenue	**20,409,251**	20,144,017	**2,812,772**	3,580,978	**23,222,023**	23,724,995
Product duties and taxes	**(5,269,246)**	(5,151,283)	**-**	-	**(5,269,246)**	(5,151,283)
External segment revenue	**15,140,005**	14,992,734	**2,812,772**	3,580,978	**17,952,777**	18,573,712
Inter-segment revenue	**-**	-	**13,834,802**	13,850,421	**13,834,802**	13,850,421
Total segment revenue	**15,140,005**	14,992,734	**16,647,574**	17,431,399	**31,787,579**	32,424,133
Share of profit of associates and joint ventures	**917**	158	**-**	-	**917**	158
Depreciation and amortisation	**(79,799)**	(69,880)	**(90,072)**	(87,524)	**(169,871)**	(157,404)
Replacement Cost of Sales Operating Profit before interest and income tax	**811,910**	764,151	**64,044**	(170,655)	**875,954**	593,496
Other material items:						
Inventory gains/(losses)	**35,631**	(20,681)	**(551,325)**	267,126	**(515,694)**	246,445
Capital expenditure (including acquisitions)	**(274,193)**	(240,085)	**(230,940)**	(320,853)	**(505,133)**	(560,938)

(c) Reconciliation of reportable segment revenues, profit or loss and other material items

Thousands of dollars	**2014**	2013
Revenues		
Total revenue for reportable segments	**31,787,579**	32,424,133
Product duties and taxes	**5,269,246**	5,151,283
Elimination of inter-segment revenue	**(13,834,802)**	(13,850,421)
Total reportable segments gross revenue	**23,222,023**	23,724,995
Non-fuel income and rebates	**656,157**	627,193
Other revenue	**353,020**	324,195
Consolidated revenue	**24,231,200**	24,676,383
Profit or loss		
Segment Replacement Cost of Sales Operating Profit before interest and income tax, excluding significant items	**875,954**	593,496
Other expenses	**(81,443)**	(42,101)
Replacement Cost of Sales Operating Profit before interest and income tax, excluding significant items	**794,511**	551,395
Significant items excluded from profit and loss reported to the chief operating decision maker:		
Consulting fees	**(25,065)**	-
Foreign exchange gains on repayment of finance facilities	**4,755**	-
Redundancy expenses	**(53,814)**	-
Contract cancellation costs	**(12,000)**	-
Provisions relating to asset rationalisation projects	**(53,728)**	-
Gain on sale of bitumen business, net of costs relating to acquisitions and disposals	**-**	38,766
Provisions relating to closure of the Kurnell refinery	**-**	(11,003)
Replacement Cost of Sales Operating Profit before interest and income tax	**654,659**	579,158
Inventory (losses)/gains	**(515,694)**	246,445
Consolidated historical cost profit before interest and income tax	**138,965**	825,603
Net financing costs	**(111,370)**	(88,791)
Net profit/(loss) attributable to non-controlling interest	**2,739**	(1,271)
Consolidated profit before income tax	**30,334**	735,541

30. Segmented reporting (continued)
(c) Reconciliation of reportable segment revenues, profit or loss and other material items (continued)

Thousands of dollars	Reportable segment	Other	Consolidated totals
Other material items 2014			
Depreciation and amortisation	**(169,871)**	**(33,114)**	**(202,985)**
Inventory gains	**(515,694)**	**-**	**(515,694)**
Capital expenditure	**(505,133)**	**(4,412)**	**(509,545)**
Other material items 2013			
Depreciation and amortisation	(157,404)	(8,213)	(165,617)
Inventory losses	246,445	-	246,445
Capital expenditure	(560,938)	(6,998)	(567,936)

(d) Geographical segments

The Group operates in Australia and Singapore. Revenue is predominantly generated in Australia.

All of the Group's non-financial non-current assets are located in the Group's country of domicile, Australia.

(e) Major customer

Revenues from one customer of the Group's Marketing segment represent approximately $4,700,000,000 (2013: $4,800,000,000) of the Group's total gross sales revenue (excluding product duties and taxes).

(f) Revenue from products and services

Thousands of dollars	2014	2013
Petrol	**7,101,556**	7,343,355
Diesel	**7,599,818**	7,856,634
Jet	**2,307,913**	2,248,123
Lubricants	**273,552**	279,891
Specialty and other products	**669,938**	845,709
Non-fuel income and rebates	**656,157**	627,193
Product duties and taxes	**5,269,246**	5,151,283
Other revenue	**353,020**	324,195
	24,231,200	24,676,383

31. Parent entity disclosures

As at, and throughout, the financial year ended 31 December 2014, the parent entity of the Group was Caltex Australia Limited.

Thousands of dollars	2014	2013
Result of the parent entity		
Profit for the period	**78,770**	6,317
Other comprehensive income	**6,497**	9,227
Total comprehensive income for the period	**85,267**	15,544
Financial position of parent entity at year end		
Current assets	**61,059**	133,664
Total assets	**2,068,326**	2,240,726
Current liabilities	**2,808**	126,286
Total liabilities	**1,512,017**	1,667,865
Total equity of the parent entity comprising:		
Issued capital	**543,415**	543,415
Treasury stock	**(607)**	(610)
Reserves	**(6,267)**	(10,840)
Retained earnings	**19,768**	40,896
Total equity	**556,309**	572,861

Parent entity guarantees in respect of the debts of its subsidiaries

The parent entity has entered into a Deed of Cross Guarantee with the effect that each company agrees to guarantee all of the debts (in full) of all companies that are parties to the deed subject to, and in accordance with, the terms set out in the deed.

Further details of the Deed of Cross Guarantee and the subsidiaries subject to the deed are disclosed in note 22(a).

32. Events subsequent to the end of the year

On 10 February 2015, Mr Adam Ritchie was appointed as the new General Manager – Supply, effective from 1 April 2015.

There were no other items, transactions or events of a material or unusual nature, that, in the opinion of the Board, are likely to significantly affect the operations of Caltex, the results of those operations or the state of affairs of the Group subsequent to 31 December 2014.