Caltex Australia Limited
ACN 004 201 307
Level 24
2 Market Street
Sydney NSW 2000

ASX RELEASE

2019 Annual Report

Wednesday, 25 March 2020 (SYDNEY): Caltex Australia Limited provides the attached 2019 Annual Report.

Authorised for release by: the Board of Caltex Australia Limited

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2019 Annual Report

CALTEX
Caltex Australia

People & Partnerships

Positioned for success

People & Partnerships

Positioned for success

Caltex is Australia's number one transport fuels company. Our 7,644 dedicated people underpin our success and we are leveraging our strong partnerships across industry, including with suppliers, 23 fuel distributors and approximately 1,500 large commercial customers, to successfully execute our strategy.

Over the last year we have continued to build on the foundations we have in place for future growth through our Fuels & Infrastructure and Convenience Retail businesses.

The diverse skills of our talented people were leveraged to further expand our international trading and shipping operations to new markets and to progress our retail strategy through new formats that will deliver the next level of convenience for customers.

Our strong partnerships also enabled major milestones. These included the launch of the first Caltex Woolworths Metro stores in partnership with Woolworths and working with our partners in Gull and Seaoil to deliver international volume and earnings growth.

These milestones, among other initiatives, will allow Caltex to capture earnings uplift opportunities and unlock further value for shareholders in the years ahead.

Caltex Woolworths Metro,
North Ryde,
New South Wales

In this Report

On the Cover

Zina Filippello, Chemist (left), and Rosemie Pastulovic, Technician, at the Lytton refinery in Queensland

Small image: The new Caltex Woolworths Metro store in North Ryde, New South Wales

About this Report

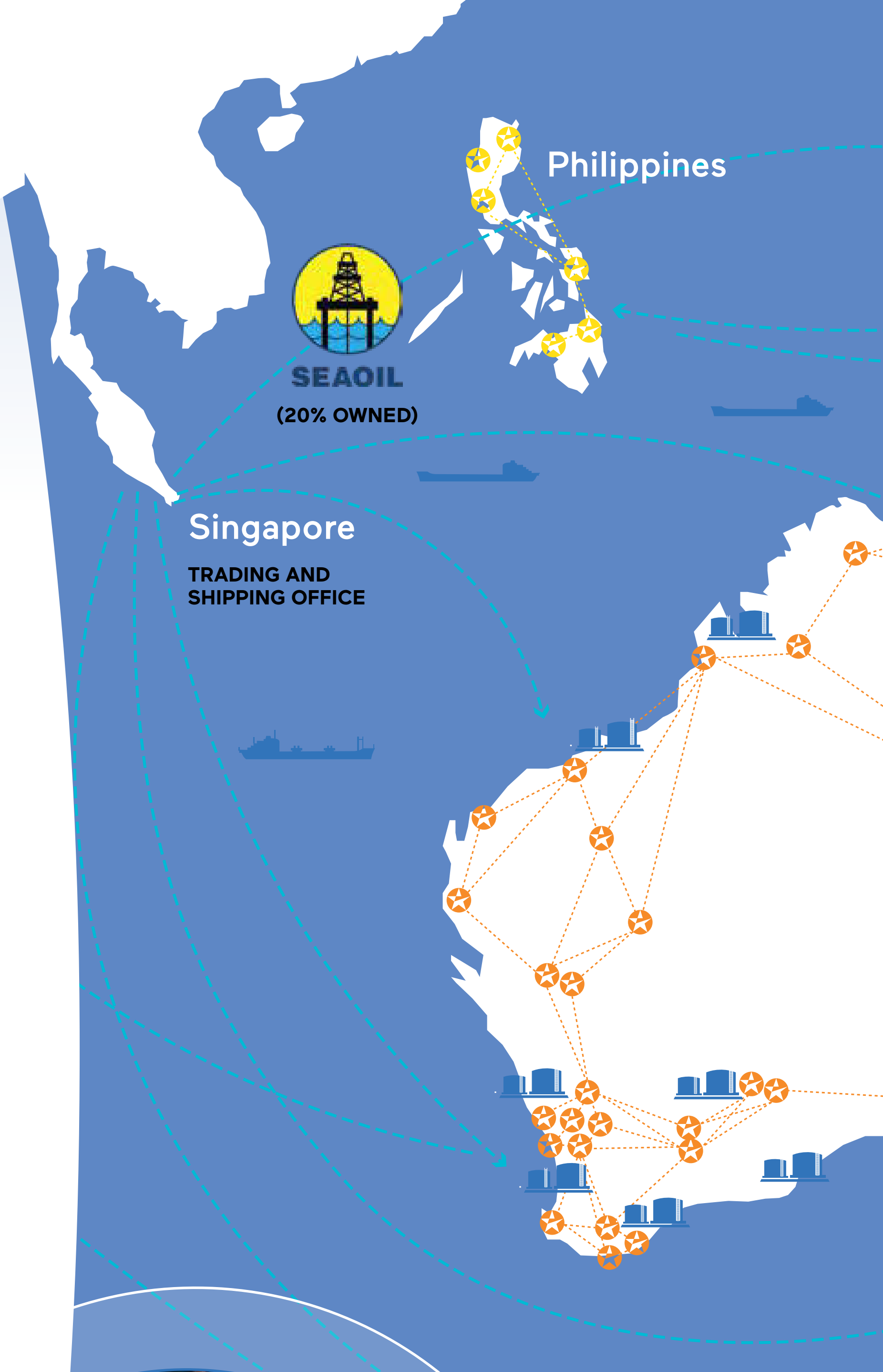
This 2019 Annual Report for Caltex Australia Limited (ACN 004 201 307) has been prepared as at 25 March 2020. Throughout this document terms such as Caltex and Caltex Australia have the same meaning as Caltex Group, unless the context requires otherwise. An interactive version of the Annual Report is available on our website. Visit **www.caltex.com.au** to download or view a copy.

Shareholders can request a printed copy of the Annual Report free of charge by emailing **secretariat@caltex.com.au** or writing to the Company Secretary,
Caltex Australia Limited,
Level 24, 2 Market Street,
Sydney NSW 2000 Australia.

Network of Assets

Caltex maintains a privileged infrastructure base that is hard to replicate and unparalleled in the domestic market.

From the largest finished product import terminals in both Australia and New Zealand, a refinery at Lytton in Queensland, 94 bulk fuel storage and distribution hubs and over 300 kilometres of fuel pipelines, to a national network of approximately 800 company-controlled retail stores serving over three million customers each week, our national footprint is extensive. We are using our experience, skills and the knowledge of our people to grow into international markets.



94
bulk fuel storage and distribution hubs

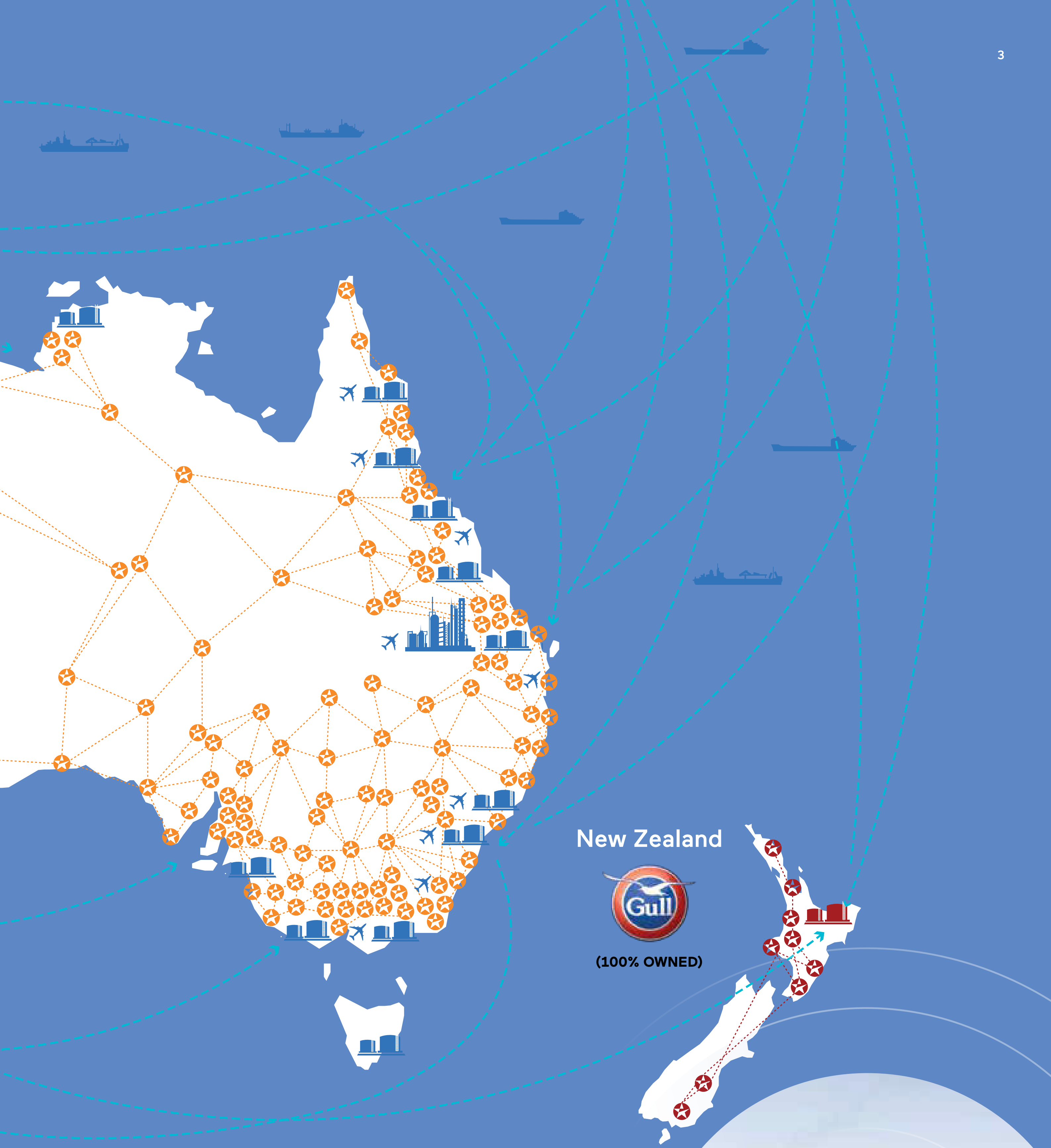
300km+
of fuel pipelines

~800
company-controlled sites

~2,000 sites*
Largest petrol and convenience network

The Foodary, Five Dock, New South Wales

* Includes branded sites and sites that accept StarCard



Retail network

Gull network
(New Zealand)

Seaoil partnership
(Philippines)

Fuels & Infrastructure network
(Australia)

Import terminal, Kurnell,
New South Wales

2019 Highlights

In 2019, Caltex made significant progress executing its Convenience Retail and Fuels & Infrastructure strategies.

Fuels & Infrastructure

New Houston office

Announced intention to open Ampol trading and shipping office in Houston, USA

Gull

First two sites opened in South Island, New Zealand

Launched an international storage pilot in South East Asia

SEAOIL

86

New sites and 9% volume growth

Convenience Retail

Retail network review conducted, store format strategy in place

OPEN

Opened first Caltex Woolworths Metro stores

▲8%

Shop contributions increased by 8% in the second half

THE FOODARY

66

The Foodary stores

112

stores transitioned to company operation in 2019 (>99% of the network to be company operated by the end of 2020)

Transition to

Ampol

brand announced

Building on the growth foundations in place

Refocusing on capital returns

$100M
Cost-out program launched – $60m delivered in 2019

$260M
Off-market buy-back complete

~$136M
First tranche of 25 Higher Better Use sites divested for ~$136 million

Proposed property IPO of up to 49% interest in
~250
core freehold sites

Delivering our operations sustainably, and supporting our people and communities

37.4%
Women in leadership roles, 8% increase from previous year

82%
Employee engagement

$3.1M
Contributed to communities

$7.5B
In taxes paid in 2018

0
Major land spills (>8000 litres) in 2018 and 2019

53.8%
waste diverted from landfill

Message from the Chairman and the Managing Director & CEO

Dear shareholders

2019 was an important year for Caltex. While financial outcomes overall were disappointing, the business performed well in a tough operating environment. We delivered a solid underlying result and reached several milestones in the delivery of our growth strategies. This progress positions us well to capture more value for shareholders.

There were many highlights in the past 12 months, including work to expand capabilities in our Ampol trading and shipping business, strong performance in Gull and Seaoil, the launch of our first Caltex Woolworths Metro stores and the divestment of the first tranche of 25 Higher Better Use retail sites for approximately $136 million.

We also successfully completed a $260 million off-market buy-back which benefited all shareholders and announced an exciting transition to the company-owned Ampol brand which will commence in 2020.

The year ended with the Board considering three unsolicited proposals from Alimentation Couche-Tard Inc. (Couche-Tard) to acquire Caltex and in early 2020 we announced the receipt of a separate proposal from EG Group.

RCOP NPAT

$344M

down 38% on 2018

$260M

Off-market buy-back

Safety performance

Caltex's commitment to strong safety outcomes underpins our reputation for safe and reliable supply and is a major driver of the engagement and productivity of our workforce. We are disappointed that our 2019 safety performance did not meet the high standards we set ourselves.

While we reduced the severity of personal safety incidents, the number of recordable injuries and days away from work both increased in 2019. We experienced an increase in low consequence injuries at Lytton, with the number of recordable injuries across the rest of Fuels & Infrastructure remaining steady. In Convenience Retail, outcomes were negatively impacted by the ongoing transition of franchise sites to company operations, where we are seeing a higher number of low consequence injuries following store transitions.

We know we must make our workplace safer and will act to improve performance in 2020. This includes the delivery of targeted programs focused on reducing the major causes of our workplace injuries, with these being repetitive and high muscle load manual tasks along with slips, trips and falls. We will also improve communication with our teams to raise personal awareness of safety hazards and increase the presence of our leaders in the field to reinforce the right safety behaviours and to receive feedback from our frontline teams.

Financial performance down in tough operating conditions

2019 was a disappointing financial result, impacted by lower regional refining and retail fuel margins, softer economic conditions across major parts of the economy and unplanned outages caused by a third-party power disruption at the Lytton refinery.

On a historic cost profit basis, Caltex's net profit after tax (NPAT) was $383 million in 2019. Under our preferred method of reporting, replacement cost of sales operating profit (RCOP), we recorded NPAT of $344 million, down 38% on our result in 2018.

Fuels & Infrastructure delivered a solid underlying result despite the impact of a tough domestic market, reduced earnings from a repriced EG Group supply contract and refinery outages. The business achieved an EBIT outcome of $450 million, a decrease of 21% on 2018. Total fuels sales volumes increased 3% to 21.1 billion litres.

The highlight from this performance was strong growth in our international operations. International sales volumes increased by 36% to 4.8 billion litres as we continued to build on the international growth strategy in place.

Australian sales volumes, including to Convenience Retail and other Australian wholesale customers, fell by 3% to 16.3 billion litres while Lytton EBIT was $70 million, down from $161 million in 2018. Total production at Lytton was 5.8 billion litres, a 6% decrease on 2018.

The Foodary, Narangba, Queensland

Our Convenience Retail business delivered an EBIT result of $201 million, approximately 35% lower than the outcomes achieved in 2018. Total Convenience Retail fuels sales volumes were 4.8 billion litres, which is 2.2% less than the 4.9 billion litres of fuels sales in 2018.

Despite the decline, retail fuel margins strengthened in the second half as we renewed focus on our retail fuel offer. Caltex also made market share and premium fuel share gains. We also delivered improved shop earnings, which was a highlight.

We also continued the transition of franchise sites to company operations, a key enabler of our Convenience Retail growth strategy. A total of 112 franchise sites were transitioned to company operation in 2019, bringing the number of company-operated sites to 631, with >99% of the network to be company operated by the end of 2020.

Continued focus on capital discipline

In 2019, we responded to the tough economic environment and launched new initiatives to deliver improved returns for shareholders. In August, we announced a cost-out program to deliver $100 million of sustainable savings to our business, and in 2019 we delivered $60 million of this program.

We also announced the divestment of around 50 retail sites deemed to have a higher value through alternative use, with the first tranche of 25 sites being sold for approximately $136 million. In November, we also announced a proposed IPO of up to 49% interest in approximately 250 of our core freehold retail sites, aimed at unlocking value in our business and improving shareholder returns.

These initiatives demonstrate our strong focus on cost and capital discipline to deliver a sustainable uplift in returns for shareholders.

Building on our strong foundations for growth

We have continued to build on the strong foundations we have in place for the next stage of growth across Caltex. This included the delivery of a significant number of important strategic initiatives in 2019 which, despite a tough operating environment over the last year, are beginning to have a positive impact.

Our Ampol Singapore trading and shipping business was established in 2013 and since this time we have continued to evolve our international operations from a single market supply function to a long-term growth engine that has delivered increased volumes, capabilities and geographies.

In 2019, we continued to build on this work with the announcement that we will establish a new Ampol trading and shipping office in Houston, USA and launch our first international storage position in South East Asia.

The Houston office opened in January 2020 and will work in combination with our existing team in Singapore to enable Caltex to benefit from sourcing improvements and to investigate new international markets. The international storage pilot in South East Asia will provide new opportunities for us to capture value across the supply chain.

The extension of operations and capabilities creates a blueprint for further expansion into new locations, products and services to deliver further growth for shareholders. We see a pipeline of international growth opportunities for Fuels & Infrastructure that has the potential to deliver $70 million in earnings uplift by 2024.

Caltex Woolworths Metro,
North Ryde, New South Wales

We also continued to execute our strategy to leverage our extensive retail network to capture growth from the convenience retail market. In 2019, we began a review of our approximately 800 company-controlled retail sites aimed at ensuring a tailored site offer that can deliver earnings growth with appropriate returns for shareholders.

In August, we announced that we have identified approximately 500 sites with a clear opportunity for us to capture growth through an enhanced convenience offer. From the review, we also finalised our three-tiered approach to retail store formats.

The opening of our first two Caltex Woolworths Metro stores – a new 'flagship' store format – was an important milestone in 2019. Sitting alongside our flagship The Foodary stores, the new Metro offer sets a new standard of service, product quality and range that will disrupt the sector and drive growth.

We also upgraded and launched a new 'tier two' The Foodary format at Five Dock in New South Wales to provide a strong example of how we can be efficient with capital and operating costs while still delivering an enhanced experience for our customers. Meanwhile, our 'self-serve' format was launched as a safe, reliable and competitive offer that can be rolled out at the right locations with lower capital and operating costs.

These milestones illustrate the strong progress we have made with our retail strategy. Coupled with the transition of sites to company operation and our refocus on a market-leading fuel offer, they will help us deliver on a potential non-fuel earnings uplift of $85 million by 2024.

Receipt of takeover proposals

In late November 2019, we announced the receipt of an unsolicited, conditional, confidential, non-binding and indicative proposal from Couche-Tard to acquire Caltex in full at an indicative cash price of $34.50 per share less any dividends declared. This followed an earlier proposal from Couche-Tard to acquire the company at $32 per share which was rejected by the Caltex Board.

The Board concluded that the second proposal undervalued the company, but at the same time offered to provide Couche-Tard with further non-public information to allow them to formulate a revised proposal that more accurately reflects the value of our business.

The non-public information was provided in January 2020 and on 13 February, Caltex announced it had received a revised proposal from Couche-Tard at an indicative cash price of $35.25 per share, less any dividends declared and paid by Caltex. The Caltex Board considers that it is in the interests of Caltex shareholders to engage further with Couche-Tard and will provide them with the opportunity to conduct additional due diligence on a non-exclusive basis.

On 19 February, Caltex announced that it had received a proposal from EG Group to acquire all the shares in Caltex via a scheme of arrangement for a combination of $3.9 billion cash and securities in an entity to be listed on the Australian Securities Exchange. The Caltex Board carefully considered the proposal and on 2 March announced it had concluded that this proposal undervalues the company and does not represent compelling value for our shareholders.

The proposals received are subject to various conditions and there is no certainty that any will result in a change of control transaction. The Caltex Board acknowledges the significant value inherent across the Caltex business and will continue to work to maximise shareholder value.

Responding to COVID-19

Caltex has always taken great pride in maintaining high standards of safety, product quality and security of supply. As the market leader, in response to COVID-19 we will do all we can to provide our essential services to our customers and will continue to engage with government to discuss issues relevant to our business and sector. We also continue to monitor the impacts from market responses to COVID-19 on regional refining margins and on crude and product demand both globally and in domestic markets. We will keep the market informed as things change.

On behalf of Caltex's Board and management, we sincerely thank our employees and business partners and you, our shareholders, for continued support of our company.

We look forward to updating you as we continue to execute our strategy.

Steven Gregg
Chairman

Julian Segal
Managing Director & CEO

Message from Steven Gregg – Farewell Julian Segal

On 14 August 2019, we announced our Managing Director and CEO, Julian Segal, had informed the Board of his intention to retire, and on 25 February 2020 we confirmed he would step down as Managing Director and CEO effective 2 March 2020.

I would like to take the opportunity to acknowledge Julian's outstanding contribution to the success of Caltex over the past 11 years.

Julian joined Caltex as the business grappled with the impact of the global financial crisis, a period of depressed demand and challenging global refiner margins. After steering the company through this period, he oversaw the transition of Caltex from a fuel refiner and marketer to an integrated transport fuels business, along the way creating significant value for our shareholders, customers and employees.

Under Julian's leadership over the past 11 years, we have delivered a total shareholder return of over 15% and returned $9.64 in capital per share.

There were many significant and defining decisions taken under Julian's leadership. This included the transition of the Kurnell refinery to an import terminal, the establishment of Ampol Singapore and international expansion through Gull and Seaoil. These decisions remain a focal point of our current Fuels & Infrastructure growth strategy.

Julian also set the path for our Convenience Retail growth strategy, which is critically important to our future.

It has been a pleasure and a privilege to work with Julian during my time on the Caltex Board. I congratulate him on a wonderful career, and we look forward to continuing his work for the benefit of all Caltex shareholders in the years ahead.

Steven Gregg
Chairman
Caltex Australia

Dave Bodger, Gull General Manager, cuts the ribbon at the opening of a new self-serve site in Maheno, South Island, New Zealand

IN FOCUS

Gull New Zealand enters South Island market

Gull achieved an important milestone in 2019 with the opening of two service stations in New Zealand's South Island.

The new sites are part of a broader strategy to increase Gull's market share and scale in New Zealand and deliver on Caltex's growth strategy of expansion in international markets.

Opened in the small town of Maheno, and in Gore, approximately 60 kilometres northeast of Invercargill, the sites were a welcome addition to the local communities because of their competitive fuel prices delivered through Gull's unmanned format.

The Maheno site serves a population of 72 people as well as travellers using the State Highway 1. Since Gull acquired the site, due to its highly competitive fuel prices and premium fit-out, the average weekly volumes have increased significantly.

Dave Bodger, Gull's General Manager, said that Gull expects to open another four service stations in the South Island over the next two years as it executes its growth strategy.

"It has been a long journey to enter into the South Island market, so we were really pleased to open these sites in Maheno and Gore and we have already had really positive feedback from the local communities," said Mr Bodger.

"Our growth strategy leverages the skills of our people in New Zealand and is well supported by our colleagues in the broader Fuels & Infrastructure business. Our expansion will continue to be delivered together, with knowledge sharing between our teams, who operate in different markets with different commercial models and scale, helping to build capability and improve execution."

Gull will open at least two new sites in the South Island in 2020 and another two in 2021.

OPERATIONS REPORT

Fuels & Infrastructure

The success of our Fuels & Infrastructure business is underpinned by the capabilities of our people in managing complex supply chains, our privileged assets and deep customer base, the knowledge of our diverse teams and strong international partnerships.

In 2019, Fuels & Infrastructure continued to deliver its strategy and maintain its position as the leading player in Australian transport fuels. While financial performance was impacted by lower refining margins, softer economic conditions and outages at the Lytton refinery, we maintained our focus on serving our customers, improved efficiency through continuous improvement and delivered projects critical for future growth.

Milestones included the announcement of our intention to open an Ampol USA trading and shipping office in Houston, the launch of an international fuel storage pilot in South East Asia and continued growth in our international businesses.

21.1BL

Total fuel sales volumes increased by 3% to 21.1 billion litres

Announced plans to open an Ampol USA trading and shipping office in Houston

Launched an international fuel storage pilot in South East Asia

Imran Yasin,
Contract Engineer,
Lytton refinery,
Queensland

Caltex's refueling vehicle servicing construction customers at the Pacific Highway upgrade in New South Wales

Camila Alves Valero, Laboratory Technician (left), and Andy Griffiths, Raman Support Chemist, Lytton refinery laboratory, Queensland

Financial performance

Fuels & Infrastructure delivered an EBIT result of $450 million, a decline of 21% on 2018. The result was impacted by softer fuel demand across most customer segments, a negative EBIT impact from the repriced EG Group fuel supply contract, lower refining margins and unplanned Lytton refinery outages caused by third-party power disruptions. Pleasingly, strong underlying performance and continued growth in our international business offset some of these impacts.

The Fuels & Infrastructure EBIT, excluding Lytton, was 7% lower than 2018 at $380 million. However, after adjusting for the negative $47 million EBIT impact from the repriced EG Group contract, the result was 4% stronger than 2018, demonstrating the competitive strength and resilience of our underlying business. Total fuel sales volumes increased by 3% to 21.1 billion litres.

The performance of our international business was a highlight, with overall strong performance in Gull and Seaoil. International sales volumes increased by 36% to 4.8 billion litres, underscoring the success of our international growth strategy.

Earnings at Lytton declined by approximately 57% to $70 million and production volumes fell to 5.8 billion litres, despite an improvement in margins and production in the second half of the year.

Growth pathways in trading and shipping

Ampol Singapore plays a key role in our success, sourcing petroleum products from global markets and leveraging our privileged infrastructure to reliably and efficiently meet the needs of our customers.

Our Ampol Singapore team was first established in 2013. We have continued to expand capabilities to increase opportunities to capture value and sustainably grow long-term earnings, while maintaining our commitment to safe and reliable supply for our customers and partners. This has included expanding countries sourced from and continuing to build our international customer base.

In 2019, we continued our expansion with the announcement that we will establish an Ampol USA trading and shipping office in Houston. We also launched our first international storage position in South East Asia.

The Houston office opening is a strategic initiative that will capitalise on the USA's unique position in international markets, now being the largest crude exporter in the world and an increasing supplier of product to the Australasian market. This new office will work in combination with our existing team in Singapore to allow Caltex to benefit from sourcing improvements and to investigate new international markets.

The international storage pilot provides Caltex new flexibility to generate value from blending, storing and re-parcelling products. This new capability will support our ability to supply feedstocks to our refinery, allow us to meet our customers' requirements and to increase optimisation opportunities in and out of countries adjacent to our supply chains.

The extension of capabilities also creates a blueprint for further expansion into new locations, products and services. In 2020, we will continue to evolve our international operations, leveraging our existing skills and capabilities to increase volumes and explore opportunities in new geographies.

An emerging player in international markets

Leveraging our trading and shipping capability to learn about new markets, we have had success with the acquisition of Gull in 2017 and the 2018 acquisition of a 20% stake and establishment of a strategic partnership with Seaoil in the Philippines.

In 2019, Gull delivered earnings, network and volume growth and Seaoil delivered key growth initiatives. Milestones for Gull included expansion to the South Island of New Zealand and the targeted addition of new retail sites for its established North Island operations. Meanwhile, Seaoil added 86 retail sites, increased its terminal capacity by 85 million litres and grew volume by 9%.

Caltex's international businesses have delivered strong financial performance and continue to present attractive long-term growth opportunities both in their respective countries and further across the Asia Pacific. The investments have also enabled the two-way sharing of information to improve the overall performance of our business, including in areas such as optimising supply chains, B2B sales, retail formats, networks, and mergers and acquisitions. In 2020, we will work closely with management teams in each market and leverage our combined capabilities to continue to execute our strategy.

Maintaining our leading position in Australian transport fuels

The heart of our business continues to be the scale of our demand base in Australia and the strong knowledge and relationships we hold across key sectors. While the Australian economy is, and will remain, heavily dependent on transport fuels, our performance was impacted by a tough economic environment in 2019.

Key sectors, such as agriculture, were impacted by worsening drought conditions and a weak economy impacted construction and road transport. This was balanced against strong demand in mining and government, and our diversified customer portfolio has helped our sales volumes remain resilient.

Our focus remains on creating value for our customers and for our business. We continue to leverage the scale of our domestic supply chain, industry knowledge and broad base of customers to defend our position in the domestic market, while remaining disciplined on margin. Australian sales volumes, including to Convenience Retail and to our broader base of Australian wholesale customers, fell by 3% to 16.3BL. Jet fuel volumes declined by 4.7%; however, we remained disciplined on margin over the course of the year.

In 2020, we will continue to leverage our strengths to improve performance in the Australian business and commercial markets. Our market-leading network creates the confidence that we can successfully and reliably serve the needs of our customers.

Improving our safety performance in 2020

Our personal and process safety performance was disappointing in 2019. While we reduced the severity of personal safety incidents, recordable injuries and days away from work both increased. Similarly, while the number of Tier One process safety incidents was reduced to zero, we had an increase in the overall number of spills against our high standards.

Our reputation for operating safely is the foundation of our strong relationships with customers and our commitment to employees. In 2020, we will have a strong focus on improving personal and process safety performance. This includes implementing an action plan to reduce the major causes of workplace injuries, which are repetitive and high muscle load manual tasks along with slips, trips and falls.

In addition to the rollout of new training initiatives, where we know injuries occur, we will improve communication to raise personal awareness of safety hazards and increase the presence of leaders in the field to reinforce the right safety behaviours and to receive feedback from our frontline teams. We have also reviewed the causes of spills in 2019 and developed action plans for specific areas of our operations.

Francis Nelson, Scheduler – Product Supply Operations, Newport terminal, Victoria

OPERATIONS REPORT

Convenience Retail

In 2019, Caltex progressed the execution of its Convenience Retail strategy in a challenging operating environment.

Major milestones included the launch of new store formats, including the first Caltex Woolworths Metro stores, the continued transition of franchise sites to company operations and a renewed focus on operational excellence, with new initiatives in labour optimisation, technology, safety and inventory management.

These developments are a critical part of our transformation toward being a market leader in the convenience retail sector.

4.8B

litres of fuels sold

Retail network review conducted with clear store format strategy

OPEN

Opened the first Caltex Woolworths Metro stores in North Ryde and Kingsford, New South Wales

112

stores transitioned to company operation in 2019

▲8%

Shop contributions increased by 8% on prior corresponding period in the second half

325

Uber Eats delivery service launched at 325 stores

The Foodary, Five Dock, New South Wales

Caltex Woolworths Metro,
North Ryde,
New South Wales

IN FOCUS

Caltex Woolworths Metro sets the new benchmark for convenience

In November 2019, Caltex launched the first Caltex Woolworths Metro store in North Ryde, New South Wales.

The new store format was developed in partnership with Woolworths and sets a new benchmark of convenience for Australians looking to fill up and meet their convenience shopping needs when they are on the go.

The new store format is owned and operated by Caltex, featuring a curated product range perfect for customers looking to grab something fresh to eat for breakfast, lunch or dinner or to pick up high quality fresh food and groceries for later.

Joanne Taylor, Caltex Executive General Manager, Convenience Retail, said: "We are excited about redefining the convenience experience for our customers. We know Australians lead busy lives and are looking for great quality fresh food for a meal on the go or to make preparing a meal at home a little bit easier.

"This new store will set the new standard of service, product quality and range that customers will begin to expect when they shop in the petrol and convenience sector."

The new Caltex Woolworths Metro offers an array of sandwiches, hot food and barista made coffee, alongside fresh fruit and vegetables and easier and fast payment options, including self-checkouts and the availability of Caltex's FuelPay capability on the forecourt. Quick service restaurant partners, including Boost Juice, will be incorporated into Caltex Woolworths Metro stores where they complement the offer on site and can help deliver sales growth.

A second Caltex Woolworths Metro has launched in Kingsford, New South Wales.

Financial performance

In 2019, softer economic conditions impacted retail fuel margins and our overall financial performance. Convenience Retail delivered an EBIT result of $201 million, a decline of 35% on 2018.

Total retail fuels sales volumes declined 2.2% to 4.8 billion litres, compared to the industry decline of 2.3%. Caltex also made market share and premium fuel share gains, which was also a highlight.

We will leverage our leading fuel supply chain expertise, our high-quality retail network and customer focus to deliver continued improvements in performance in 2020 as part of our goal to be Australia's first choice for fuel.

Retail network review

In 2019, we began a review of our approximately 800 company-controlled retail stores, aimed at ensuring our customer offer is tailored to meet individual site and local area customer needs. The review considered local market and site characteristics and broader network synergies to ensure that the execution of our strategy delivers earnings growth with appropriate returns for shareholders.

In August, we announced that 500 sites within our company-controlled network have a clear opportunity to deliver growth through disciplined execution and can deliver stronger returns from an enhanced convenience offer. Following this announcement, in November we announced a proposed property Initial Public Offering (IPO) of up to 49% interest in 250 freehold sites that sit within the core group of 500 retail sites.

The review also identified around 50 metropolitan freehold sites as having a higher value through alternative use. In September, we commenced a process to divest the first tranche of 25 sites and in December we announced the sale of these sites for approximately $136 million.

For the remaining approximately 240 sites in our company-controlled network, we continue to undertake work to determine the best way to capture value, while ensuring Caltex maintains its approximately 2,000 site-strong branded and StarCard accepting network.

Matt Hooper, Commercial Manager, at the Caltex self-serve site in Ryde, New South Wales

Format strategy in place

Another outcome of our retail network review was the finalisation of our three-tiered approach to retail store formats. Our strategy is focused on three store tiers, which will be tailored to match each site and local market.

The opening of our first two Caltex Woolworths Metro stores, our 'flagship' store format, was an important milestone in 2019. Caltex Woolworths Metro has a clear customer value proposition and leverages the market-leading qualities of both Caltex and Woolworths to set a new standard of service, product quality and range. Metro delivers a new level of convenience that will disrupt the sector and drive growth.

The upgrade of Caltex Five Dock to a new The Foodary format provides a strong example of how we can be efficient with capital and operating costs while still delivering an enhanced experience for our customers. This new 'tier two' format facilitates both fast convenience with hero products and self-serve capability.

The third and final part of our format strategy is 'self-serve', which is a safe, reliable and competitive offer that can be rolled out at the right locations with lower capital and operating costs. Our first 'self-serve' sites in Ryde and Sandgate in New South Wales have been delivered, with lessons to be integrated into our strategy for implementation going forward.

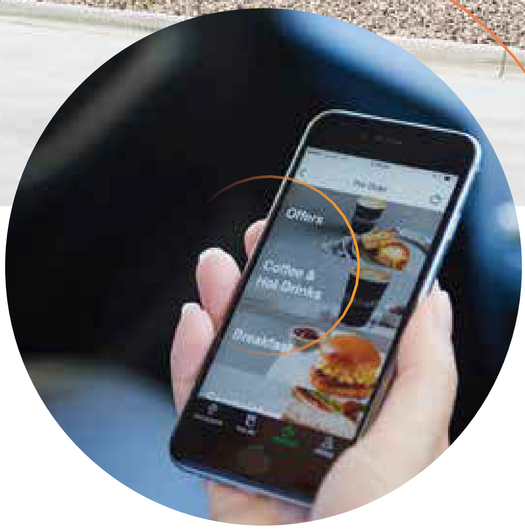
We now have 66 The Foodary stores across our network and we have learned that these stores, with the right quick service restaurant (QSR) partners, such as *Boost Juice* and *Guzman y Gomez*, drive additional sales and incremental earnings. Our retail network review looked at the best opportunities to incorporate QSRs into our strategy and in 2020 we will examine further opportunities to launch more QSRs into the right parts of our network.

Partnerships key to our growth

In addition to our partnership with Woolworths and strong relationships with QSR partners such as Boost Juice, we are unlocking improved customer service and volume growth using technology and new partnerships.

The Caltex Australia app is a proven success. It provides a frictionless and convenient solution for customers to pay for their fuel. It provides a clear way for us to drive both customer loyalty and visitation frequency and it has over 330,000

The Foodary,
Derrimut,
Victoria



The Caltex
Australia app

downloads and growing. In 2020, we will relaunch the app with new features and functionality, such as the integration of Apple Pay, to further improve the customer experience.

In 2019, we also finalised partnerships with Uber Eats and HaloGo, which are key parts of our strategy. Uber Eats is now offered at 325 of our locations and provides customers with access to Caltex products, fresh fruit, fresh drinks and snacks at home. Our partnership with HaloGo, an on-demand mobile fuel service that allows customers to schedule fuel delivery straight to their car, was formed through our Caltex Spark innovation program. HaloGo launched in November 2019 delivering Caltex Vortex fuels to customers when they need it.

Our fuel partnerships with organisations such as Uber, Toyota, NRMA and Hyundai are continuing to drive loyalty by leveraging their marketing channels to access a much wider customer base and deliver growth in volumes. And as mobility evolves, our partnership with Evie Networks will see us trial our first electric vehicle charging site in 2020.

Transition to company operations

In 2019, we continued the transition of our retail sites to company operations. A total of 112 franchise sites were transitioned during the year, bringing the total number of company-operated sites to 631. By the end of 2020, 99% of the network will be company operated.

The decision to transition to a company-operated network has simplified our operations, provided our customers with more consistent experiences and accelerated change in our competitive convenience offer. It is a significant transformation program that underpins our future growth strategy.

Operational excellence remains a focus

Our retail excellence team has the safety of our people and customers at the core of every action we take and ensures we deliver a consistent and exceptional customer experience first time and every time. This is important because, with the transition of sites to company operations, we now have a larger base of employees serving customers in a greater number of locations across Australia.

In 2019, we continued to build the foundations of operational excellence, with new initiatives in labour optimisation, technology, safety and inventory management. A major initiative was the implementation of Kronos, which has enhanced our rostering capability through greater visibility of our labour spend and enabled a faster response to store needs. This capability has helped maintain a focus on productivity and has reduced administrative hours so store managers can spend more time on the shop floor.

We have also simplified communication systems in our stores, establishing a clear rhythm of how and when we communicate to the frontline through a 'bundling of change' approach, which optimises execution and ensures our entire business is communicating the same messages to customers at the same time.

Our Voice of the Customer (VOC) program, introduced last year, was complemented by the introduction of a third-party audit program that reviews the customer experience, the store's physical condition and merchandise. Access to this data has helped us provide feedback to individual sites to action to improve the customer experience. This change has proven to drive greater repeat visits and frequency.

In 2019, we completed significant work in inventory management to streamline processes and build the foundation for reducing inventory on site, and to have greater visibility of inventory balances. As a result, we have been able to improve product availability and minimise stock loss. This work was delivered closely with our tiered format strategy and has helped us better utilise space, optimise range and layout across all stores and is enabling us to drive improvements in productivity and supply chain costs.

In 2019

we continued to work towards improving safety culture

Finally, in 2019 we continued to work towards improving safety culture and behaviours to reduce the quantity and severity of incidents across our business. We have unfortunately seen an increase in safety incidents as sites transition to company operations. While these incidents are predominantly low consequence, we are focused on establishing the right safety culture through new programs, including more regular store communications and safety cards that reinforce awareness of common safety risks.

In 2019, we also increased safe work practice observations for manual and high-risk tasks, with over 5,000 observations recorded. This will continue to be a focus in 2020.

Sustainability

Strategy and approach

Our approach to sustainability involves making our material issues core to decision making and balancing environmental, social and governance considerations with our broader strategic objectives.

In 2019, we conducted a materiality assessment to ensure focus on current and emerging risks and opportunities, which then formed the basis for the development of our three-year Sustainability Strategy.

Contributing to the United Nations Sustainable Development Goals

To help play our role in addressing the significant sustainability challenges our world faces, we have mapped out the United Nations Sustainable Development Goals (SDGs) against our sustainability strategy. There are six SDGs where we believe can make the most meaningful impact:

Nina Yearbury, Process Control Engineer (left), and Javier Del Mundo, Business Development Engineer, at the Lytton refinery, Queensland

Safe and responsible business

Ensuring the safety of our people and the environment

Safety is non-negotiable at Caltex. The health and safety of our people, customers, communities and the environment are our highest priority.

In 2019, the number of safety incidents increased across both the Convenience Retail and Fuels & Infrastructure businesses, with most related to manual tasks, falls and other manual handling. Caltex recognises it needs to improve its safety performance and has implemented several initiatives and educational programs, including the 'Do the Right task, the Right way, First time, Every time' awareness campaign and a review of Caltex's safety culture and safety leadership.

In 2019, we updated our Caltex Operational Excellence Management System (OEMS) – a mechanism that upholds the Caltex Health and Safety Policy and provides an integrated framework for systematically managing safety, health, security and environmental risk. The OEMS was refreshed to align with the 'Three Lines of Defence' risk management governance model, relevant International Standard Organisation (ISO) standards, and included the development of a framework for continuous improvement and maturity of the system. Pleasingly, there were no Tier One process safety incidents during 2019, and we continue to pursue improvements to our systems and processes to improve process safety.

8 DECENT WORK AND ECONOMIC GROWTH

Sustainable Development Goals

PERSONAL SAFETY

TOTAL RECORDABLE INJURY FREQUENCY RATE

10.7 (Fuels & Infrastructure) **14.0** (Convenience Retail)

DAYS AWAY FROM WORK INJURY FREQUENCY RATE

3.8 (Fuels & Infrastructure) **7.8** (Convenience Retail)

PROCESS SAFETY

0 Tier One events

2 Tier Two events

Fuels & Infrastructure Convenience Retail

Protecting our natural environment

In 2019, we refreshed our Environmental Policy and prepared a group-wide environmental management governance framework and strategy, with the objective to align our business operations with the ISO14001 standard. We refreshed group-wide minimum expectations for environmental management, with a focus on high-risk impacts, and updated internal audit processes to check compliance with these new expectations.

While we reported no major spills during 2019, two minor marine spills occurred at our Lytton refinery and one within our distribution network. As a requirement of our processes, we conducted investigations to reduce the risk of spills from similar incidents.

0
major spills (>8000 litres) in 2018 and 2019

904,207
tonnes Scope 1 and Scope 2 carbon emissions

5
minor spills (>160 litres <8,000 litres) in 2018 and 2019

102.4
Lytton Refinery Energy Intensity Index

3
marine spills

Fostering a diverse and inclusive workplace

To help foster an inclusive work environment, we recognise and celebrate a number of cultural days, including NAIDOC Week, Close the Gap, National Reconciliation Week and International Women's Day. These celebrations are typically led by our 'Women in the Fuels Industry' (WIFI) or 'Indigenous Trailblazers' employee working groups and are supported by Caltex's Diversity and Inclusion Council.

In 2019, we made significant progress executing our diversity strategy. Highlights included reaching 37.4% female participation in senior leadership roles (target is 40%), a gender pay gap difference of less than 1% in like-for-like roles, and the establishment of an LGBTIQ+ working group. The working group is a voice and contact point for all LGBTIQ+ employees, and in 2020 the group will create an action plan aimed at fostering greater internal engagement and engagement with community partners.

<1%
Gender pay equity ratio

37.4%
women in leadership roles. 8% increase from previous year

Kathyrn Jobson at The Foodary, Bondi Junction, New South Wales

Caring for and developing our people

This year, we conducted our employee engagement survey to better understand the experience of our employees and what we can improve on. The 2019 results were encouraging, with our overall employee engagement score at 82% and participation rate at 71%. Key improvement areas that our people identified included how we can better empower our people to drive positive change and how we can achieve greater work-life balance.

Developing our people was an important focus in 2019 as we refreshed our leadership development programs, and in 2020 we will launch a strategy execution program aimed at driving consistent focus on strategic priorities and strengthening commercial and operational discipline.

7,644
Employees 15% increase from previous year

82%
Employee engagement

Supporting fundamental human rights

The prevention of human trafficking and modern slavery was an important focus for Caltex in 2019. In response to our obligations under the *Modern Slavery Act 2018 (Cth)*, we have mapped our supply chain, undertaken a high-level modern slavery risk assessment as well as a prioritisation exercise for high-risk areas in our supply chain. Our next steps are to embed a formal modern slavery risk assessment and management process into our engagements with business partners and suppliers, and to delve into the risk areas that we have identified as top priorities. Our first Modern Slavery Statement will be published in 2021.

The Kurnell site as the refinery infrastructure was being demolished

53.8%

of waste diverted from landfill. 27,098 tonnes of solid waste and 8,265 kilolitres of liquid waste generated

62%

of water consumed from recycled or reused sources. A total of 3,089,637 kilolitres consumed

Continuous improvement and optimisation of assets

Being efficient with our energy and water use

We recognise that through our operations we expend large amounts of energy and water, which is why we are focused on initiatives to reduce the use of these resources.

In 2019, our Lytton refinery commenced a three-year program to upgrade the analysers on its furnaces to help drive efficiencies with energy use. Lytton also focused on reducing water use by installing a smart meter. Additionally, Lytton sourced 73% of its water from an external wastewater treatment plant and utilised reused condensate to generate steam. In our retail business, we incorporated sustainable design principles into retail store fit-outs, including insulation, thermally efficient glazing, the use of energy and water efficient fittings, and the installation of LED lighting across 26 New South Wales stores.

Sustainable Development Goals

IN FOCUS

Kurnell's transition from refinery to terminal

Caltex's Kurnell site in Sydney, New South Wales, recently completed significant decommissioning and demolition work following the conversion of the site from a refinery to an import terminal.

The decommissioning and demolition work took five years, an investment of $200 million and 1.5 million hours worked to complete.

Given the volume of materials collected from the demolition, a primary focus was to reduce waste being sent to landfill. Working towards this goal, the team were able to:

- empty, clean and demolish 55 tanks;
- process, crush and recycle 112,000 tonnes of concrete, which were re-used as road base and topcoat for the new terminal; and
- demolish, process and sell over 50,000 tonnes of steel.

An ongoing focus is improving the environmental condition of the groundwater and soil to meet land use planning and regulatory requirements. Innovative approaches to remediation have been trialled and are now being used at scale, such as bioremediation and the removal of contaminated soil to an offsite thermal treatment facility.

Ciara Doran, General Manager Distribution, said: "The closure of the Kurnell refinery, which opened in 1956, was the end of an era at Caltex. However, we were extremely pleased to complete the decommissioning and demolition work without any lost time injuries and without any negative impact to the local environment.

"We are now focused on using our innovative methods to conduct the remediation work and are partnering closely with the Environmental Protection Authority to ensure compliance.

"We look forward to continuing this important work over the next eight years."

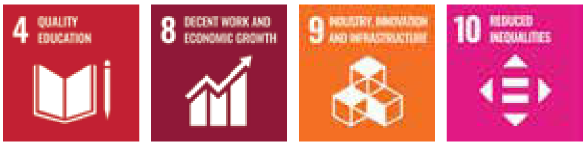
Contribution to the Australian economy

Caring for our communities

Making a positive difference to the communities in which we operate is a significant focus, and this came to the forefront of our activities during the 2019–2020 bushfire crisis that devastated communities in some parts of Australia.

In early December 2019, after the fires in northern New South Wales, Caltex offered StarCash to the New South Wales Rural Fire Service to reach volunteers, and in January 2020, the Caltex Employee Bushfire Relief Fund was established to pool employee and company contributions to the relief efforts.

Importantly, in 2019 we established the Caltex Foundation as the vehicle through which we deliver our corporate social responsibility activities. Decisions on Caltex Foundation priorities, including funding, are made by the Caltex Foundation Committee, comprising representatives from each part of the business.



Sustainable Development Goals

$7.5B

taxes paid in 2018
(reported in December 2019)

$3.1M

contributed to community partners

YOU CAN FIND FURTHER DETAIL ON THE FOUNDATION AND OUR COMMUNITY PARTNERS ON OUR WEBSITE AND IN OUR 2019 SUSTAINABILITY REPORT.

Deputy Commissioner, NSW RFS, Rob Rogers (left), with Caltex Head of Corporate Affairs, Richard Baker

Transition to a low carbon future

We acknowledge the financial risks and opportunities associated with climate change and that it is affecting a wide range of businesses and industries around the world.

We also acknowledge the need for greater transparency from the corporate sector on climate-related risks and opportunities, and for this reason support the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

We have been working to implement the TCFD framework across its core elements of governance, strategy, risk management, and metrics and targets, and have committed to full disclosure alignment with the TCFD framework by 2021.

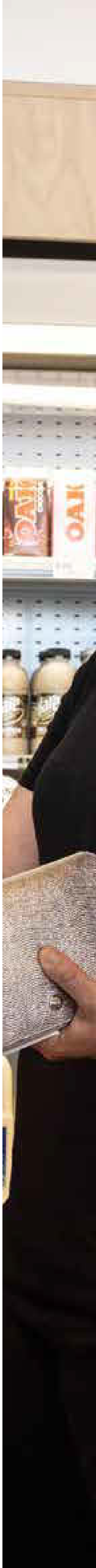
Climate scenario analysis and risk management

In 2019, we tested our operations and corporate strategy against three plausible climate futures, including the International Energy Agency's New Policies (2°C) and Current Policies (above 3°C) scenarios, along with the Intergovernmental Panel on Climate Change's 1.5°C scenario. Our analysis showed that Caltex is exposed to both transitional and physical risks posed by climate change.

As a result, we have prepared a three-year climate change risk strategy, which seeks to operationalise our Climate Change Position Statement and address the risks and opportunities we identified in our climate scenario analysis. We acknowledge that our approach must inform and fully integrate with our corporate strategic objectives.

Sustainable Development Goals

FOR FURTHER INFORMATION ABOUT CALTEX'S CLIMATE RISKS AND HOW WE ARE RESPONDING, REFER TO OUR 2019 SUSTAINABILITY REPORT.



Caltex's retail store formats aim to disrupt the sector and drive future growth as our brand evolves. Here, a customer utilises the self-checkout capability at The Foodary, Five Dock, New South Wales

A quick history of Ampol

1995

Caltex and Ampol merged petroleum, refining and marketing assets to form Australian Petroleum Pty Ltd. In 1997, it became Caltex Petroleum Australia Ltd.

1988

Pioneer International acquired full ownership of Ampol and the following year Pioneer purchased Solo Oil Limited.

1986

Ampol celebrated its 50th anniversary by introducing a new corporate image and advertising campaign, some of which many Australians still remember today.

1983

Ampol acquired Total Australia and Total Refineries Australia, which added an extra 200 retail outlets to its network.

1965

Ampol built the Lytton Refinery in Brisbane, which gave Australia its first wholly owned and operated processing facility.

1952

The first company-owned petrol station was opened on Military Road in Mosman, Sydney.

1948

AMP listed on the Australian Associated Stock Exchanges, the forerunner to the ASX, and in 1949 changed its name to Ampol Petroleum Ltd.

1936

Sir William Gaston Walkley created the Australian Motorists Petrol Company (AMP) to address concerns about petrol prices and transfer pricing by foreign oil companies. In 1937, it opened its first garage pumps in New South Wales.

IN FOCUS

Caltex brings back iconic Ampol brand

In December 2019, Caltex announced that it will transition to the iconic and much-loved Ampol brand over the next three years.

The transition to Ampol gives Caltex the opportunity to take back control of its brand and regain independence, while continuing to work closely with its people, customers and partners.

The Australian Motorists Petrol Company, which later became Ampol, was founded in 1936 and became part of Caltex Australia when the two companies merged in 1995.

The reinvigoration of Ampol will include an identity update across the entire retail and fuels infrastructure network, with the transition to happen progressively over the next three years.

Managing Director and CEO of Caltex Australia, Julian Segal, said the announcement was a great opportunity for the company to bring back the iconic brand that is still trusted by Australians of all ages.

"Ampol is an iconic Australian name – a brand which reflects our deep Australian heritage and expertise," said Mr Segal.

"Our market research confirms that Ampol is regarded as a trusted brand by Australian consumers – even those who weren't born when the brand was retired. Our decision to bring Ampol back reflects the focus we have on our heritage of friendly and efficient service, high-quality Australian-made products and being part of the local community."

Ampol, which has been part of Australia's DNA since its inception, is a significant part of Caltex's history and will be an important part of its future. Consumers can expect to start seeing the Ampol name in the Caltex network in 2020.

An old Ampol service station in Rutherford, New South Wales

2019 Financial Report

For Caltex Australia Limited
ACN 004 201 307

Contents

The 2019 Financial Report for Caltex Australia Limited includes:

- Directors' Report
- Lead Auditor's Independence Declaration
- Directors' Declaration
- Independent Auditor's Report to the Shareholders of Caltex Australia Limited
- 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 2019

Caltex Group

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

- Caltex Australia Limited (Caltex), the parent company of the Caltex Group listed on the Australian Securities Exchange (ASX)
- Major operating companies, including Caltex Australia Petroleum Pty Ltd
- Wholly owned entities and other entities that are controlled by the Caltex Group

Directors' Report

The Board

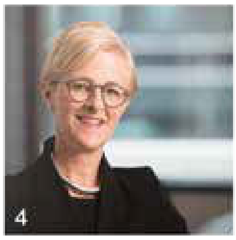
Introduction

Caltex Australia Limited presents the 2019 Directors' Report (including the Remuneration Report) and the 2019 Financial Report for Caltex Australia Limited (Caltex) and its controlled entities (Caltex Group) for the year ended 31 December 2019. An Independent Audit Report from KPMG, as external auditor, is also provided.

Board of Directors

The Board of Caltex Australia comprises Steven Gregg (Chairman), Julian Segal (Managing Director and CEO), Mark Chellew, Melinda Conrad, Bruce Morgan, Barbara Ward AM and Penny Winn.

Mr Trevor Bourne retired from the Caltex Board as an Independent Non-executive Director, effective 9 May 2019.



1 Steven Gregg

Chairman and Independent Non-executive Director
Date of appointment: 9 October 2015
Board Committees: Nomination Committee (Chairman)

Steven has over 30 years' experience in the investment banking and management consulting sectors in Australia and the United Kingdom. He brings to the Board extensive executive, corporate finance and strategic experience.

Steven is a director of Challenger Limited and Challenger Life Company Limited, a director of Tabcorp Holdings Limited and William Inglis & Son Limited. He is the Chairman of Unisson Disability Limited and a trustee of the Australian Museum. He has previously served as Chairman of Goodman Fielder Limited and Austock Group Limited.

Steven has held various roles with ABN AMRO, most recently as Global Head of Investment Banking and the CEO of the United Kingdom. Following this, he was a Partner in the Strategy and Financial Institutions practice at McKinsey & Company in Sydney and internationally.

Steven holds a Bachelor of Commerce from the University of New South Wales.

2 Julian Segal

Managing Director and CEO
Date of appointment: 1 July 2009

Julian 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, Julian 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.

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

Julian 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.

3 Mark Chellew

Independent Non-executive Director
Date of appointment: 2 April 2018
Board Committees:
Safety and Sustainability Committee, Human Resources Committee and Nomination Committee

Mark brings to the Board international expertise in industry, strategy, governance and large capital projects with a background in manufacturing, mining and process industries. He is currently Chairman of Cleanaway Waste Management Limited and a director of Infigen Energy Limited. Mark was formerly Chairman of the industry body Manufacturing Australia and a former director of Virgin Australia Holdings Limited.

Mark was the Chief Executive Officer and Managing Director of Adelaide Brighton and prior to that, held executive positions at Blue Circle Industries and CSR.

Mark holds a Bachelor of Science (Ceramic Engineering) from the University of New South Wales, a Master of Engineering (Mechanical) from the University of Wollongong and a Graduate Diploma of Management from the University of New South Wales.

Directors' Report
CONTINUED

The Board continued

4 Melinda Conrad

Independent Non-executive Director
Date of appointment: 1 March 2017
Board Committees:
Audit Committee, Human Resources Committee and Nomination Committee

Melinda brings to the Board over 25 years' experience in business strategy, marketing and technology led transformation, and brings skills and insights as an executive and director from a range of industries, including retail, financial services and healthcare.

Melinda is currently a director of ASX Limited, a director of Stockland Group and a director of the George Institute for Global Health. She is a member of the Australian Institute of Company Directors Corporate Governance Committee and an Advisory Board member of Five V Capital.

Melinda has previously served as a director of OFX Group Limited, The Reject Shop Limited, David Jones Limited, APN News & Media Limited, the Garvan Medical Research Institute Foundation and as a member of the ASIC Director Advisory Panel. Melinda held executive roles at Harvard Business School, Colgate-Palmolive, several retail businesses as founder and CEO, and in strategy and marketing advisory.

Melinda holds a BA (Hons) from Wellesley College in Boston, an MBA from Harvard Business School, and is a Fellow of the Australian Institute of Company Directors.

5 Bruce Morgan

Independent Non-executive Director
Date of appointment: 29 June 2013
Board Committees:
Audit Committee (Chairman), Safety and Sustainability Committee and Nomination Committee

Bruce brings to the Board expertise in financial management, business advisory services, risk and general management. He is the Chairman of Sydney Water Corporation, a director of Origin Energy Limited, a director of Redkite, the University of New South Wales Foundation and the European Australian Business Council.

Bruce served as Chairman of the Board of PricewaterhouseCoopers (PwC) Australia for six years until 2012 and was elected a member of the PwC International Board, which he served for four years. Bruce previously held roles as managing partner of PwC's Sydney and Brisbane offices. An audit partner of the firm for over 25 years, he was focused on financial services and the energy and mining sectors, leading some of the firm's most significant clients in Australia and internationally.

Bruce holds a Bachelor of Commerce (Accounting and Finance) from, and is an Adjunct Professor at, the University of New South Wales and is a Fellow of the Australian Institute of Company Directors and Chartered Accountants Australia and New Zealand.

6 Barbara Ward AM

Independent Non-executive Director
Date of appointment: 1 April 2015
Board Committees:
Human Resources Committee (Chairman), Audit Committee and Nomination Committee

Barbara brings to the Board strategic and financial expertise in senior management roles. Barbara is a director of Qantas Airways Limited, a number of Brookfield Multiplex Group companies and Crestone Holdings Limited.

Barbara was formerly a director of the Commonwealth Bank of Australia, Lion Nathan Limited, Multiplex Limited, Data Advantage Limited, O'Connell Street Associates Pty Ltd, Allco Finance Group Limited, Rail Infrastructure Corporation, Delta Electricity, Ausgrid, Endeavour Energy and Essential Energy. She was also Chairman of Country Energy, NorthPower and HWW Limited, a Board member of Allens Arthur Robinson, The Sydney Opera House Trust and Sydney Children's Hospital Foundation and served on the Advisory Board of LEK Consulting.

Barbara was Chief Executive Officer of Ansett Worldwide Aviation Services from 1993 to 1998. Prior to that, she held various positions at TNT Limited, including General Manager Finance, and also served as a Senior Ministerial Advisor to The Hon PJ Keating.

Barbara holds a Bachelor of Economics and a Master of Political Economy from the University of Queensland and is a member of the Australian Institute of Company Directors.

7 Penny Winn

Independent Non-executive Director
Date of appointment: 1 November 2015
Board Committees:
Safety and Sustainability Committee (Chairman), Audit Committee and Nomination Committee

Penny brings to the Board Australian and international strategic, major transformation and business integration, technology and retail marketing experience. Penny is currently a director of CSR Limited, a director of Goodman Limited, Goodman Funds Management Limited and a director of Coca-Cola Amatil Limited. She has previously served as Chair and a director of Port Waratah Coal Services Limited, a director of a Woolworths business, Greengrocer.com, a Myer business, sass & bide, and Quantium Group.

Prior to her appointment to Caltex, Penny was Director Group Retail Services with Woolworths Limited. She has over 30 years of experience in retail with senior management roles in Australia and internationally.

Penny holds a Bachelor of Commerce from the Australian National University and a Master of Business Administration from the University of Technology, Sydney and is a graduate of the Australian Institute of Company Directors.

Leadership Team

1 Viv Da Ros

Chief Information Officer

Viv was appointed to the position of Chief Information Officer in December 2016 and is responsible for leading the technology transformation program at Caltex.

His 30 years of experience includes senior leadership positions in Australia, Asia and Europe, predominantly in the retail sector with the AS Watson Group, Tesco, KPMG and Dairy Farm International.

Viv holds a Master of Business Administration from Manchester Business School, a Master of Project Management from The University of Technology, Sydney and is a graduate of the Australian Institute of Company Directors.

2 Matthew Halliday

Chief Financial Officer

Matthew commenced as Chief Financial Officer in April 2019. He is responsible for finance, accounting, treasury, taxation, investor relations and procurement.

Prior to joining Caltex, Matthew enjoyed a successful career with Rio Tinto spanning 20 years, where he held senior finance and commercial roles across several divisions and geographies.

Matthew is a Chartered Accountant and holds a Bachelor of Commerce from the University of Western Australia and a Master of Business Administration from the London Business School.

3 Lyndall Stoyles

Executive General Manager, People Communications & Governance

Lyndall joined Caltex's leadership team in October 2016 and was appointed Executive General Manager, People, Communications and Governance in March 2019. Lyndall manages Caltex's legal, secretariat and compliance, internal audit and risk, human resources, and corporate affairs teams. As General Counsel, she is responsible for managing legal risk for Caltex and providing legal advice to Caltex's Board, CEO and broader leadership team. She is also Company Secretary to the Board.

Lyndall has more than 20 years' experience advising on competitor, commercial and corporate head office legal issues. Prior to joining Caltex, Lyndall was Group General Counsel and Company Secretary for former logistics business Asciano and spent more than a decade with Clayton Utz advising on competition, commercial and corporate law issues in a broad range of industries.

Lyndall holds a Diploma of Law/Master of Law from the University of Sydney and is a member of the Australian Institute of Company Directors.

Caltex has announced changes to its senior leadership team. Please see page 125 of this Annual Report or visit www.caltex.com.au for further information.

Directors' Report
CONTINUED

Leadership Team continued

4 Alan Stuart-Grant

Executive General Manager, Strategy and Corporate Development

Appointed as Executive General Manager, Strategy and Corporate Development in November 2017, Alan manages Caltex's strategy, corporate development, M&A and transformation activities.

Prior to joining Caltex, Alan held a senior position in the Oil and Gas department of Glencore plc, and prior to that spent more than a decade in private equity and investment banking, working in Sydney, London and Singapore.

Alan holds a Bachelor of Science (Business Administration) from the University of Bath and is a member of the Australian Institute of Company Directors.

5 Joanne Taylor

Executive General Manager, Convenience Retail

Joanne was appointed Executive General Manager of Caltex's Convenience Retail business in March 2019. An executive leader with over 20 years' experience in the retail, QSR, hospitality and manufacturing sectors, Joanne brings significant experience in operations, franchising, supply chain, communications and human resources.

Joanne originally joined the Caltex Executive Leadership team in 2016, responsible for human resources. Since 2016, Joanne has been heavily involved in the transformation of Caltex's retail network, including the specific challenge of accommodating the growth of the Convenience Retail workforce from 1,000 store employees to over 5,000 today.

Before joining Caltex, Joanne spent 11 years at McDonald's Australia in operations, franchise, people and supply chain roles.

Joanne holds a Bachelor of Commerce from the University of New South Wales.

6 Louise Warner

Executive General Manager, Fuels and Infrastructure

Appointed as Caltex's Executive General Manager, Fuels and Infrastructure in 2017, Louise is responsible for managing the safe and reliable supply of high-quality fuels, lubricants and related services to Caltex's valued customers across Australia and New Zealand. The Fuels and Infrastructure business incorporates the wholesale commercial and operating functions for Caltex Australia including B2B Sales, which serves large and small businesses across Australia, Ampol Trading & Shipping in Singapore, the Lytton refinery in Brisbane, distribution assets (terminals, pipelines, depots, aviation) and Gull New Zealand.

Louise holds a Bachelor of Engineering (Chemical) from the University of New South Wales. Having joined Caltex in 1999 as a process engineer at the Kurnell refinery, Louise has worked in a range of project, supply and technical leadership roles across Caltex before gaining commercial and trading experience in London, Amsterdam and Nigeria through a secondment to Chevron in the United Kingdom. Louise founded Caltex Australia's first overseas operations, Ampol Singapore, which established the Company's regional trading and shipping capability. On her return to Australia, Louise helped Caltex take the next steps to transform its business model, including the acquisition of Gull New Zealand and the establishment of a strategic partnership with SEAOIL in the Philippines.

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 76 to 125.

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

A proud and iconic Australian company, since 1900 Caltex Australia has grown to become the nation's leader in transport fuels and an emerging player in the convenience retail sector.

With over 7,600 dedicated employees, privileged infrastructure and an extensive network of assets and strong partnerships across industry, Caltex safely and reliably delivers the fuel that keeps Australia's economy moving and the everyday retail products that make life easier.

Caltex has a long and proud history in Australia and over the past five years has transformed to focus on two businesses – Fuels and Infrastructure and Convenience Retail. Through these businesses we purchase, supply, refine and distribute petroleum products and operate convenience retail stores throughout Australia, as well as in New Zealand under the Gull brand.

The ongoing international expansion of Fuels and Infrastructure and the further development of our Convenience Retail offer are central to our growth strategy.

As part of Caltex's international expansion, Ampol, a wholly-owned shipping and trading entity in Singapore, was established in 2013 and in 2019 we announced further expansion through plans for a new Ampol Houston office. Ampol is responsible for the strategic sourcing of crude oil, feedstocks and refined products, and management of the associated supply chain. Caltex also supplies fuel to international customers including SEAOIL in the Philippines, a business in which Caltex holds a 20% equity interest.

Caltex's large-scale convenience network of ~781 company-controlled sites and ~2,000 branded sites continues to be one of Australia's largest, forming an expansive, geographically diverse platform for our Convenience Retail business. With over three million weekly customer transactions, we are well positioned to expand our offer to meet evolving customer needs and deliver growth.

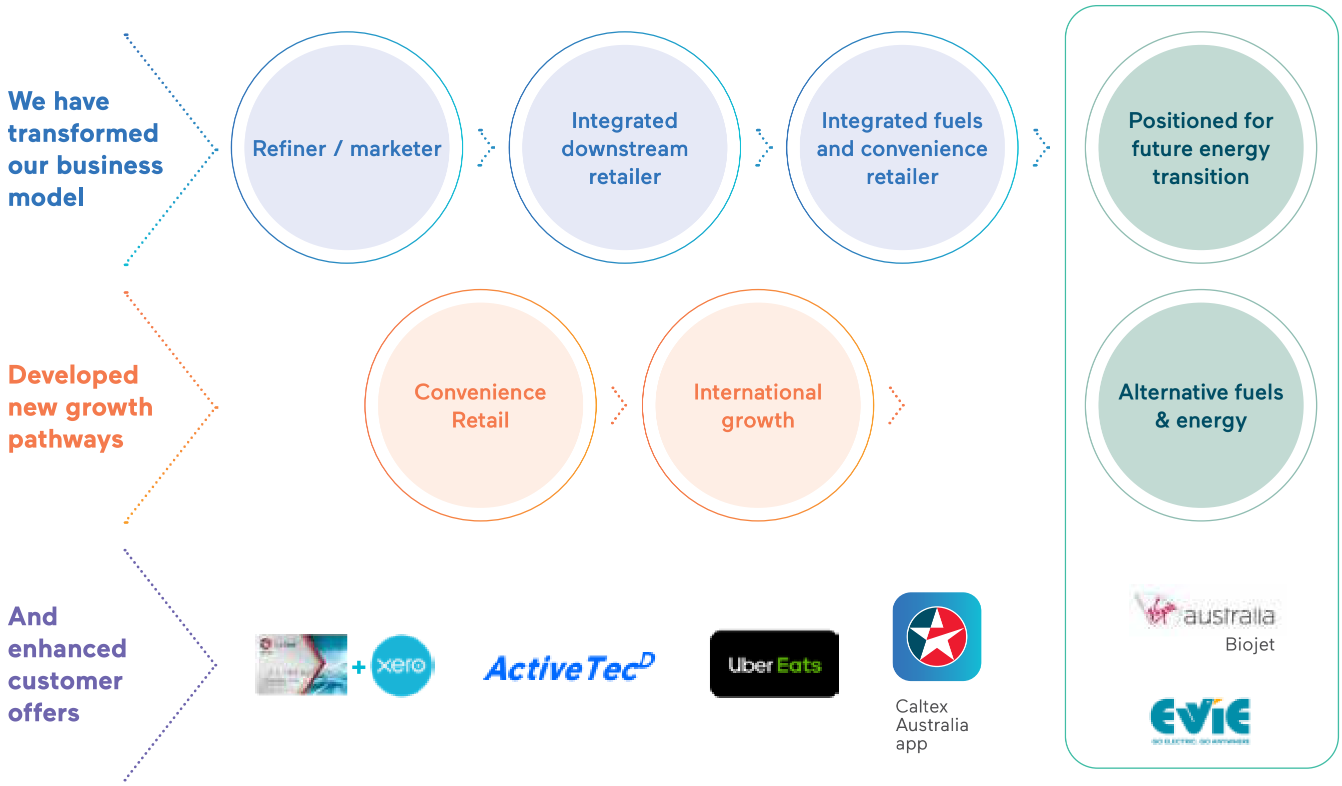
In December 2019, Caltex announced the intention to transition to the Company-owned Ampol brand over a period of three years. Revitalising this iconic and strong Australian brand is an exciting move that reflects our deep local heritage and experience and we expect to begin this transition in 2020.

Caltex is listed on the Australian Securities Exchange (ASX).

Group strategy

Caltex's strategy is to leverage our competitive strengths across the fuels and convenience value chain to maximise shareholder value. Caltex controls a hard to replicate, privileged network of retail and distribution assets, and we remain focused on delivering integrated value and growth across our business.

We have a successful track record of transformation underpinned by our capabilities in managing complex supply chains, privileged assets and deep customer base. This has enabled the evolution of our business model and customer offering from a refiner marketer to an integrated fuels and convenience retailer with significant long-term growth pathways.



Directors' Report
CONTINUED

Operating and financial review continued

Protect, grow, extend

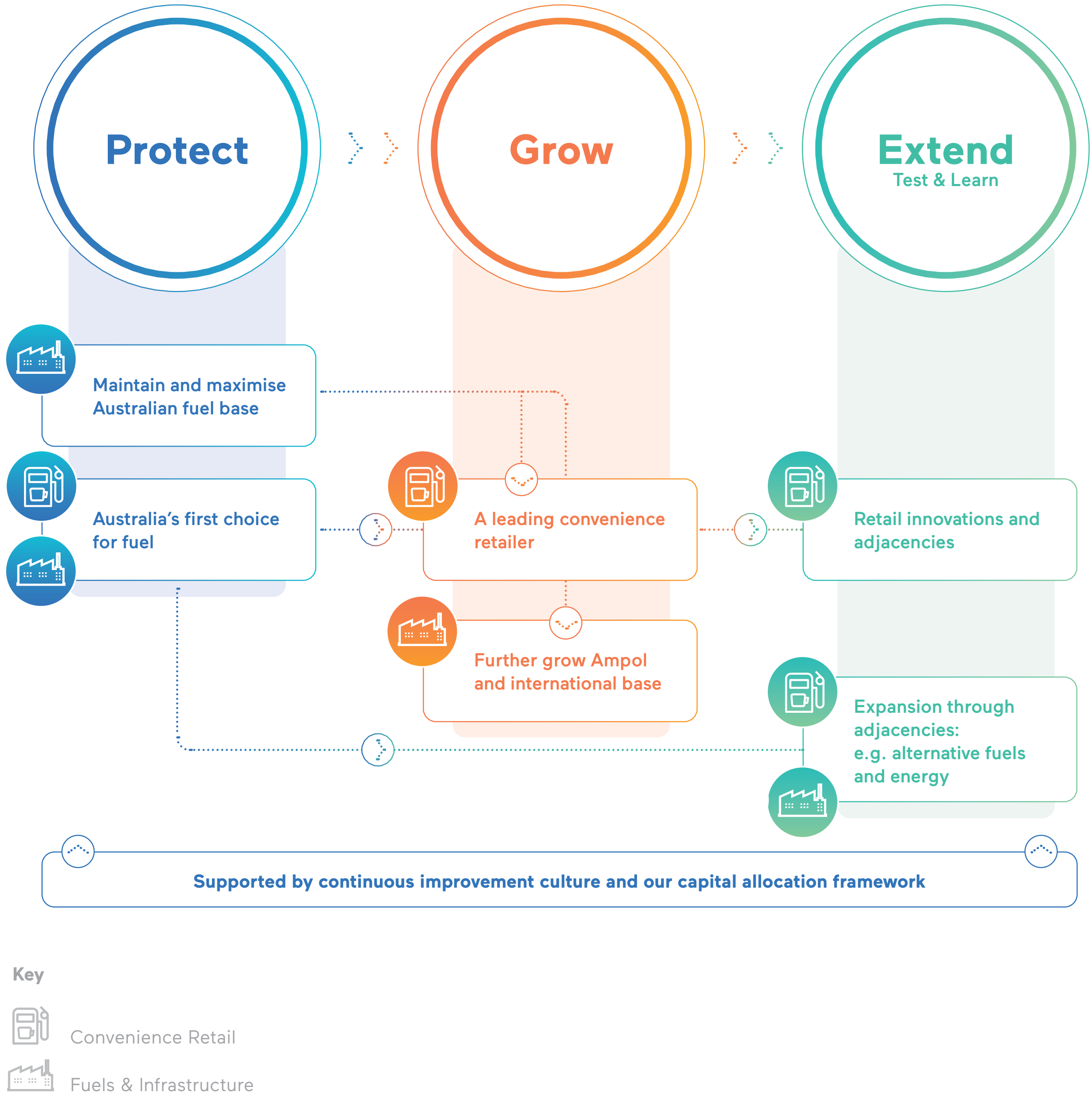
Our two business units, Fuels and Infrastructure and Convenience Retail, both have clear 'Protect', 'Grow' and 'Extend' strategies as we continue to deliver everyday convenience to our customers, expand in international markets and, in the future, evolve with our customers' energy needs.

We will maintain and maximise our leading Australian fuel base and continually strive to be Australia's first choice for fuel. Our integrated fuel supply chain and predictable demand base in Australia provides the capability, cash flow and confidence to grow.

We will continue to pursue growth through our opportunity in convenience retail, while also further growing our trading and shipping business and international base through optimising and further developing existing and new non-Australian operations.

Finally, we will extend our business model to take advantage of innovations in retail and opportunities across adjacent products and markets, continuing to apply a test and learn approach and leveraging our existing capabilities, customers and assets, thereby ensuring we evolve with our customers' energy needs.

The execution of our strategy is underpinned by a culture of continuous improvement and our disciplined capital allocation framework to drive value for shareholders.



Operating and financial review continued

Building on the foundations in place

Over the past five years, we have put the foundations in place for the next stage of the evolution and growth of Caltex. Milestones have included completing the conversion of Kurnell and establishing our trading and shipping business to better control and capture value in our international supply chain. We also acquired Gull New Zealand and invested in SEAOIL as further beachheads for growth, extended our fuel supply agreement to EG Group retail sites and implemented a convenience partnership with Woolworths.

In 2019, we further built on these foundations, launching our first Caltex Woolworths Metro stores in partnership with Woolworths, making strong progress with the transition to a company operating model to better enable execution of our retail strategy and beginning the delivery of a retail network review, which will enable us to better meet customer needs, deliver higher capital returns, release underutilised capital and deliver greater value for shareholders.

We are well placed to continue to execute this strategy in 2020.

Creation of Ampol and closure of Kurnell refinery

International beachheads acquired

EG Group supply renewal and WOW partnership

Transition to company operating model

66 Foodarys, with learnings captured in new formats

Network review completed for ~550 sites

Directors' Report
CONTINUED

Operating and financial review continued

Caltex Group results 31 December 2019

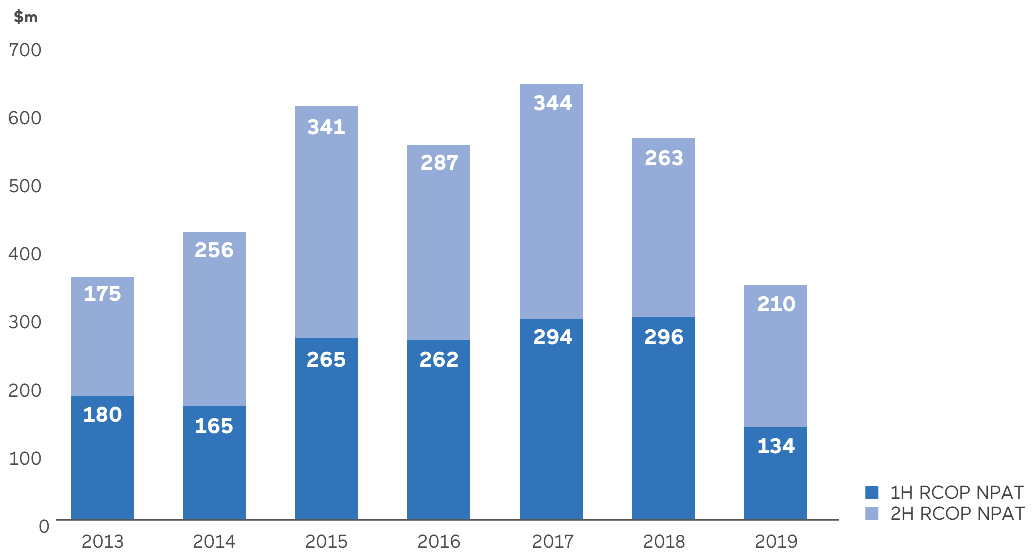
On an historical cost profit basis, Caltex recorded an after-tax profit of $383 million for the 2019 full year, including significant items of $53 million gain. This compares with the 2018 full year profit of $560 million, which included significant items of $12 million loss. The 2019 result includes a product and crude oil inventory loss of $14 million after tax, which compares with an inventory gain of $14 million after tax in 2018.

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

Reconciliation of the underlying result to the statutory result	2019 $m (after tax)	2018 $m (after tax)
Net profit attributable to equity holders of the parent entity	383	560
Deduct/add: Significant items (gain)/loss	(53)	12
Deduct/add: Inventory (gain)/loss	14	(14)
RCOP[i] NPAT (excluding significant items)	**344**	**558**

On a RCOP basis, Caltex recorded an after-tax profit for the 2019 full year of $344 million. This compares with an RCOP after-tax profit of $558 million for the 2018 full year, excluding significant items.

Caltex RCOP NPAT



Dividend

The Board has declared a final fully franked dividend of 51 cents per share for the second half of 2019, in line with the Dividend Policy pay-out ratio of 50% to 70%. Combined with the interim dividend of 32 cents per share for the first half, this equates to a total dividend of 83 cents per share for 2019 (fully franked). This compares with a total dividend payout of 118 cents per share for 2018 (fully franked). The record and payment dates for the final dividend are referenced on page 90.

Notes:

(i) 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 oil industry. This is unaudited. RCOP excludes the unintended impact of the fall or rise in oil and product prices (key external factors). 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.

Operating and financial review continued

Income statement

For the year ended 31 December	2019 $m	2018 $m
1. Total revenue[(i)]	22,352	21,744
Share of net profit of entities accounted for using the equity method	4	10
2. Total expenses[(ii)]	(21,749)	(20,928)
Replacement cost earnings before interest and tax	607	826
Finance income	1	3
Finance expenses	(121)	(52)
3. **Net finance costs**	(120)	(49)
Income tax expense[(iii)]	(143)	(218)
Replacement cost of sales operating profit (RCOP)	344	558
4. Significant items gain/(loss) after tax	53	(12)
5. Inventory gain/(loss) after tax	(14)	14
Historical cost net profit after tax	383	560
Interim dividend per share	32c	57c
Final dividend per share	51c	61c
Earnings per share (cents)		
Historical cost basis including significant items – Basic	151.3	214.9
Historical cost basis including significant items – Diluted	151.1	214.9
Replacement cost basis excluding significant items – Basic	135.9	214.1
Replacement cost basis excluding significant items – Diluted	135.7	214.1

Discussion and analysis – Income statement		
1.	**Total revenue** ▲ 3%	Total revenue increased due to a 3% increase in sales volume. Australian Dollar Product prices are in line with 2018 as a result of the lower average Australian dollar (2019: 70 US cents vs 2018: 75 US cents) and higher crude premiums in 2H 2019 offset by lower weighted average Dated Brent crude oil price (2019: US$64/bbl vs 2018: US$71/bbl).
2.	**Total expenses – replacement cost basis** ▲ 4%	Total expenses also increased primarily as a result of higher replacement cost of goods sold, driven by the same components noted above for fuel revenue.

Notes:

(i) Includes other income of $45 million (2018: $13 million).

(ii) Excludes significant item gain of $53 million (2018: $12 million loss).

(iii) Excludes tax receivable/benefit on inventory loss of $6 million (2018: Inventory gain of $6 million tax payable and tax receivable/benefit on significant items of $5 million).

Directors' Report
CONTINUED

Operating and financial review continued

Income statement continued

Discussion and analysis – Income statement	RCOP EBIT breakdown(i)
Fuels and Infrastructure EBIT Fuels and Infrastructure EBIT consists of the segment's earnings on fuel products through the Lytton refinery, other Australian earnings (including earnings on sales to the Convenience Retail segment) and International earnings. Fuels and Infrastructure delivered an EBIT result of $450 million, including $380 million from F&I excluding Lytton and $70 million from Lytton. The Fuels and Infrastructure EBIT reduced by 21% compared to 2018, given lower Lytton earnings and impact from the repriced EG Group (Woolworths) long-term fuel supply contract. Adjusting for the $47 million EBIT reduction in the EG Group contract, 2019 F&I (ex Lytton) EBIT of $380 million was 4% stronger than 2018. 2019 Australian EBIT (excluding Lytton) was $313 million, which is a $45 million decrease on 2018, and International EBIT was $72 million, which is a $4 million increase on 2018. This performance was underpinned by continued growth in our International operations and was achieved despite softer fuel demand across most customer segments, and difficult freight market conditions. Lytton delivered an EBIT result of $70 million, down 57% compared to 2018. The US dollar CRM was lower in 2019 at US$8.08/bbl compared with US$9.99/bbl for 2018.	**$450m**
Convenience Retail EBIT Convenience Retail EBIT consists of the segment's earnings on fuel products and shop products at Caltex convenience stores. Convenience Retail delivered an EBIT result of $201 million, which is down 35% compared to 2018. The decline in Convenience Retail EBIT compared with 2018 was largely the result of prolonged softness in retail fuel margins, which had an unfavourable impact of $115 million, partially offset by improved shop earnings.	**$201m**
Corporate EBIT Corporate operating expenses decreased by $7 million compared to 2018.	**($44m)**
RCOP EBIT excluding significant items	**$607m**

Notes:

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

Operating and financial review continued

Income statement continued

Discussion and analysis – Income statement		
3.	**Net finance costs** ▲ 145%	Net finance costs increased by $71 million compared with 2018. The increased interest cost is due to the adoption of AASB 16 Leases ($59 million) and the unwinding of interest expense on non-current provisions.
4.	**Significant items after tax $53m**	The significant item gain of $53 million relates to the net gain on sale from the divestment of the 25 Higher Better Use (HBU) sites during 2019. During 2018, there was a net significant items loss of $17 million ($12 million loss after tax). The significant items reflected the loss on exit from Caltex's 49% interest in Kitchen Food Company of $27 million, offset by the partial writeback of the Franchisee Employee Assistance Fund ($10 million).
5.	**Inventory loss after tax $14m**	There was an inventory loss of $14 million after tax in 2019. Over time revenues will increase/decrease as the price of products changes, this includes impacts from the AUD/USD exchange rate movements. As Caltex holds crude and product inventory the price at which the inventory was purchased will often vary from the price at the time of the revenue, thereby creating an inventory gain or loss.

Business unit performance

Fuels and Infrastructure delivered an EBIT result of $450 million, including $380 million from F&I excluding Lytton and $70 million from Lytton.

Total Fuels and Infrastructure fuel sales volumes increased by 3% to 21.1BL in 2019, driven by a 36% increase in international sales volumes to 4.8BL. Australian sales volumes (which includes Convenience Retail and Australian Wholesale) fell by 3% (0.6BL) to 16.3BL, with Jet volumes down 4.7% on 2018 as Caltex remained disciplined given margin pressure from elevated freight costs not recovered on shorter term contracts.

The 2019 Lytton EBIT result was $70 million, down from $161 million in 2018. This decrease was due to the impact of lower Asian region refiner margins and the net impact from the refinery outages in 1H 2019, caused by disruption to third-party power supply. The average 2019 CRM was US$8.08 per barrel, down from the 2018 average of US$9.99 per barrel. As previously announced Q4 CRM was impacted by both falling Singapore Weighted Average Margin (SWAM) and the rise in landed crude oil premiums.

Total production was 5.8BL, which is a 6% decrease on 2018, reflecting impact of the unplanned outages, the planned T&I shut, and the economic decision to reduce feedstock purchases consistent with our focus on optimising earnings across the integrated value chain.

Convenience Retail delivered an EBIT result of $201 million, which is down 35% compared to 2018.

Convenience Retail fuel volumes fell 2.2% to 4.8BL in 2019, which was slightly better than the 2.3% decline in total industry retail fuel volumes. Retail fuel volumes in 2019 were impacted by economic weakness which compounded a more competitive retail fuel market. Petrol margins recovered in 2H 2019 but diesel margins, which were more heavily impacted by a weak economy, remained soft. Despite Caltex being more indexed to diesel given the strength of its card business, Caltex outperformed industry on fuel margin per site by remaining disciplined while regaining fuel market share and further growing premium fuel volumes.

Network shop sales grew by 2% compared to 2018, driven by strong growth in hot beverages and fresh product categories, with Caltex's national market shop increasing by 0.2% to 20.5% during the year. Shop margin including site costs increased by $5 million (or 8%) compared to 2018, with the operational improvements executed through the year gaining momentum in the second half of the year.

During 2019, Caltex continued the transition of franchise sites to company operations, a key enabler of the Company's convenience retail strategy. A total of 112 franchise sites were transitioned to company operation during the year, bringing the number of company-operated sites to 631, with >99% of the network to be company operated by the end of 2020.

Directors' Report
CONTINUED

Operating and financial review continued
Balance sheet

As at 31 December	2019 $m	2018 $m	Change $m
1. Working capital	632	822	(190)
2. Property, plant and equipment	3,702	2,890	812
3. Intangibles	573	554	19
4. Interest-bearing liabilities net of cash	(1,746)	(955)	(791)
5. Other non-current assets and liabilities	110	78	32
Total equity	3,271	3,389	(118)

Discussion and analysis – Balance sheet	
1. Working capital ▼ $190m	The decrease in working capital was primarily driven by higher volume and price in product and crude payables, partially offset by higher volume of trade receivables and inventories.
2. Property, plant and equipment ▲ $812m	The increase in property, plant and equipment was primarily due to the addition of right of use assets on balance sheet of $985 million (adoption of AASB 16 and additions in the period) and capital additions of $232 million. This movement was partly offset by depreciation of $360 million and disposals of $68 million.
3. Intangibles ▲ $19m	Intangibles increased primarily due to software additions of $48 million, partly offset by amortisation of $27 million.
4. Interest-bearing liabilities ▲ $791m	The increase in interest-bearing liabilities was primarily due to the addition of lease liabilities of $878 million. Caltex's gearing at 31 December 2019 was 21%, decreasing from 22% at 31 December 2018. On a lease-adjusted basis, gearing at 31 December 2019 was 34.8%, compared with 34.6% at 31 December 2018.
5. Other non-current assets and liabilities ▲ $32m	Other non-current assets and liabilities increased due to reclassifications of lease accruals following the implementation of AASB 16.

Operating and financial review continued

Cash flows

For year ended 31 December 2019	2019 $m	2018 $m	Change $m
1. Net operating cash inflows	**844**	597	247
2. Net investing cash outflows	**(139)**	(426)	287
3. Net financing cash outflows	**(679)**	(223)	(456)
Net increase/(decrease) in cash held[(i)]	**29**	(38)	67

(i) Including effect of exchange rates on cash and cash equivalents.

Discussion and analysis – Cash flows	
1. Net operating cash inflows ▲$247m	Net operating cash inflows were higher in 2019 due to higher receipts from customers, partially offset by higher payments to suppliers, employees and governments and lower tax payments in 2019.
2. Net investing cash outflows ▼$287m	Net investing cash outflows were higher in 2019, due to higher proceeds from sales of property, plant and equipment of $98 million, largely driven by the cash proceeds from the 24 Higher Better Use sites received in 2019 of $128 million and higher acquisition outlays in 2018 from SEAOIL Philippines Inc of $115 million.
3. Net financing cash outflows ▲$456m	The net financing outflow of $679 million in 2019 was driven by dividend payments of $239 million, the completion of the $260 million share buy-back payment in April 2019, payment of lease liabilities of $110 million and net proceeds/repayments of borrowings of $70 million. The net financing outflow of $223 million in 2018 was driven by dividend payments of $308 million, partly offset by net proceeds/repayments of borrowings of $87 million.

Capital Expenditure

Capital expenditure in 2019 totalled $270 million. Excluding major T&I spending at Lytton refinery of $48 million, capital expenditure was $222 million.

Directors' Report
CONTINUED

Operating and financial review continued

Business outlook and prospects for future financial years

This section includes information on Caltex's prospects for future financial years. Given the significant influence of external factors – such as market competitiveness, economic conditions, exchange rates and refiner margins – the discussion of our financial prospects is general in nature.

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 about outcomes in the areas that these statements relate to. Caltex does not make any representation, assurance or guarantee as to the accuracy or likelihood of fulfilment of any forward-looking statements.

Overview

Caltex's focus in 2020 is to leverage its leading position within the transport fuels industry in both Australia and in the region to continue to create value for shareholders. In support of this, priorities continue to be the optimisation of our end-to-end value chain from product sourcing to customer, underpinned by our product sourcing capabilities, along with progressing the Convenience Retail strategy. As part of this, we will continue to transition sites to company ownership and roll-out new stores and formats in a disciplined way to capture more of the growing Australian convenience retailing market.

Fuels and Infrastructure

In 2020, we will continue to optimise our infrastructure position and run our assets in a safe and cost-efficient way. This means we can supply what our customers need, anywhere they need it, safely and reliably.

Our trading and shipping business plays a critical role in our integrated value chain. It allows us to leverage our infrastructure positions such as the Kurnell terminal, optimise the supply chain around the Caltex Lytton refinery, including crude and feedstock, and to source product from a broader range of locations. The international market knowledge provided by the experienced team and its strong operational capabilities allows Caltex to access new opportunities more rapidly as market conditions change. This includes re-optimising the trade flow for Australia and capturing sales into new markets such as New Zealand, the Philippines and other regional supply locations.

Our conservative approach to trading and shipping remains unchanged, with our activities focused on our strength of physical supply and optimisation. We continue to enhance commodity risk management systems to enable opportunities in the international market, capture higher earnings and reduce cash flow volatility. We will increase our trading and shipping capability in 2020 with the opening of a new office in Houston and the launch of an international fuel storage pilot.

The Houston office opening is a strategic initiative that will capitalise on the USA's unique position in international markets, being the largest crude exporter in the world and an increasing supplier of product to the Australasian market. This new office will work in combination with our team in Singapore to allow Caltex to benefit from sourcing improvements and expanded international customers.

Influencing our performance in 2020 will be general economic conditions in Australia. Caltex is a major supplier of fuels to the retail wholesale market and to the major industries of the economy where customer demand can vary.

The Lytton refinery is Caltex's sole refinery and an important part of our supply chain. In 2020 our focus will be on improved production and general operations along with successfully executing our 2020 T&I.

Performance at Lytton will continue to be influenced by external factors, including exchange rates and refiner margins. In 2020, an additional uncertainty will be the transition of the shipping industry to IMO2020 and the 0.50% global sulphur cap for marine fuels, which could result in increased volatility in fuel markets and refining margins.

Convenience Retail

We remain focused on making a difference for customers and building a convenience retail offer that gives them a reason to come to our sites, whether that be to fill up their vehicle or to meet their broader convenience shopping needs.

Convenience Retail financial performance continues to be influenced by retail fuel volumes and margins and in 2019 we saw increased competition, economic weakness and ownership changes impact the industry. Caltex will maintain its disciplined approach to fuel in 2020, which in 2019 supported market share gains, growth in premium fuel volumes, and continued outperformance of industry.

During 2019, Caltex continued the transition of franchise sites to company operations, a key enabler of our retail strategy. At the end of 2019, 80% of the transition was complete, with 127 transitions during the year. A further 138 sites are planned to transition in 2020.

With the transition to company operations well defined, Caltex announced the review of its retail network in 2019 and subsequent launch of initiatives to better align the core network with our Convenience Retail format strategy and improve the capital efficiency of the organisation. These initiatives included the divestment of approximately 50 Higher Better Use (HBU) sites, and the intended IPO of up to a 49% interest in approximately 250 core freehold retail sites, both of which are expected to be completed in 2020.

In 2019, Caltex continued the execution of its Convenience Retail strategy, with a focus on operational improvements, and format evolution, including the opening of the first new Caltex Woolworths Metro stores, lower-cost Foodary and Self-serve formats. Continued roll-out of these formats in a disciplined manner is expected in 2020.

In December 2019, we also announced the intention to transition to the Company-owned Ampol brand, which is expected to commence in 2020. The transition will be undertaken in a capital disciplined way, with an indicative capital cost of approximately $165 million over a three-year period. This estimate has the scope to be reduced by taking advantage of existing planned network investment.

Risk management

There are a number of material risks that have the potential to impact on Caltex achieving its financial goals and business strategy.

The Caltex Risk Management Framework (CRMF) has been developed to proactively and systematically identify, assess and address events that could impact business objectives. The CRMF integrates the consideration of risk into the Company's activities so that:

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

In February 2019, the Caltex Board received and considered recommendations from an external review of the CRMF. The Board concluded that the framework continues to be sound and approved the implementation of a plan to ensure it services the business into the future.

Risks identified through the CRMF 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 Safety and Sustainability Committee and the Human Resources Committee each receive reports on material risks relevant to their responsibilities.

Following is a table outlining our material risks, along with a description of each risk and an outline of the mitigation strategies that are in place to manage the risk. In this table we have not included information that could result in unreasonable prejudice to Caltex, including information that is confidential, commercially sensitive or that could give a third party a commercial advantage.

Caltex's approach to risk management is also outlined and available in our Corporate Governance statement which is available on our website.

Directors' Report
CONTINUED

Risk management continued

Material risk	Description	Monitor and manage
Strategic and commercial risks		
1. Customer and competitors **2. Business transformation**	The transport fuels and convenience retail landscapes are continually evolving. Caltex needs to be able to transform along with this landscape to seize opportunities and ensure the ongoing viability and success of the business. Changes in customer demand, technology and products have the potential to materially impact Caltex earnings. Caltex must respond and adapt to these changes by optimising current earnings streams and creating new earnings streams in both domestic and international markets in order to support the growth of Caltex and deliver value to shareholders.	Caltex has various strategies to manage competitive risks which are designed to sustain and improve margins by reducing costs, improving operating efficiencies and encouraging sustainable performance. These strategies include the implementation of organisational restructuring, geographic diversification and the allocation of capital expenditure to areas of the business with the potential to deliver strong earnings growth.
3. Climate change	Risks associated with the transition to a low carbon economy have the potential to impact Caltex's socio-political and regulatory environment, earnings and growth opportunities, and brand and reputation. Caltex must balance the needs of the current economy, our customers and shareholders, while demonstrating active integration of climate associated risk into strategic planning processes to inform its investment decisions. In parallel, Caltex actively assesses and models the physical impact of climate change on the business and manages the energy intensity of our operations to limit carbon emissions. For Caltex's TCFD disclosures, please refer to Caltex's 2019 Sustainability Report, located on the Caltex website.	The Board oversees Caltex's sustainability approach, with the Board's Safety and Sustainability Committee assisting with governance and monitoring as reflected in the Committee's Charter. Caltex focuses on building resilience to the transitional and physical risks posed by climate change, including undertaking scenario analysis, supporting the use of renewable energy sources and low carbon products, reducing the carbon intensity of our operations, undertaking external engagement and advocacy, and improving transparency and reporting. Caltex supports the recommendations of the Task Force on Climate-related Financial Disclosures and has developed an implementation plan to ensure full alignment by 2021.
4. Cyber security	As a leading transport fuels supplier and convenience retailer, Caltex faces an ever-evolving cyber security threat. Caltex must be able to detect, prevent and respond to these threats by maintaining a high standard of information security controls.	Caltex's information technology (IT) and systems are subject to regular review and maintenance and business continuity plans are in place. Caltex actively monitors and responds to potential local and global IT security threats.
5. Organisational capability and innovation	Successful execution of Caltex's strategy and business objectives is driven by operational efficiencies, the skills of our people and innovation. To be successful, we require capable people equipped with the necessary resources, processes and systems. A lack of organisational capability can negatively impact Caltex's ability to maximise returns.	Caltex aims to be an employer of choice. It has in place and actively manages its employee agreements, and it monitors employee engagement and the external labour markets as well as its internal employee retention data. Investment to technology and asset improvements to deliver efficiencies is carried out through the capital allocation framework.

Risk management continued

Material risk	Description	Monitor and manage
Operational risks		
6. Process safety **7. Personal safety, health and wellbeing** **8. Environmental**	The manufacturing and transportation of transport fuels and the operation of Caltex's retail network gives rise to an inherent risk to the health and safety of our employees, contractors, the public and the environment in which we operate. Caltex invests the necessary capital and resources to reduce these risks so far as is reasonably practicable.	To manage these risks, Caltex has in place: – an integrated management system for managing safety, health and environment; and – a comprehensive risk management framework which actively manages and mitigates these risks from the corporate level through to the local site operating level and involves active engagement from senior management. Caltex also mitigates certain major risk exposures through its comprehensive corporate insurance program, which provides cover for damage to facilities and associated business interruption as well as product liability.
9. Product quality – fuels and lubricants **10. Product quality – food**	An inability to produce and supply high quality, fit for purpose fuel and lubricant products that meet our customers' needs, conform to specifications and satisfy our contractual and regulatory requirements, has the potential to put our customers at risk. In turn, this may damage Caltex's brand, reputation and impact earnings. Similarly, in the convenience retail environment, Caltex aims to produce and supply quality, fit for purpose food products that meet customer needs, conform to specifications, and satisfy our contractual and regulatory requirements.	Caltex has designed and implemented robust quality control measures throughout the supply chain to ensure both fuel and food products are safe and to protect our brand and reputation. A governance structure is in place to monitor and report on the status of these risks and the effectiveness of their control measures to the Board's Safety and Sustainability Committee.
11. Business interruption	Business interruption may arise from several circumstances, including: – operational difficulties throughout the supply chain, such as extended industrial disputes or manufacturing interruptions; – loss of externally-supplied utilities; – security breaches affecting operational systems; and – natural disasters, such as bushfires and floods. Any of these events could result in a significant interruption to operations leading to commercial loss.	Almost all the operational risks described are potential sources of business interruption. Caltex manages these risks through the framework and governance structures described in this report. It also mitigates certain major risk exposures through its comprehensive corporate insurance program, which provides cover for damage to facilities and associated business interruption as well as product liability.

Directors' Report
CONTINUED

Risk management continued

Financial risks

Material risk	Description	Monitor and manage
12. Capital management and allocation	An inability to successfully select and execute capital investments erodes Caltex's licence to operate and investor confidence. Project delays may impact Caltex's profitability, cash flows, growth aspirations and damage relationships with key stakeholders.	Caltex has an Investment Committee, comprised of senior leaders with the necessary governance, frameworks and processes to successfully prioritise and execute its capital investments and manage capital allocation.
13. Liquidity	Inadequate access to liquidity may limit Caltex's ability to raise funds to meet the forecast requirements of the business, for planned expenditure or to seize emerging opportunities. A weak balance sheet also limits Caltex's ability to withstand material levels of liquidity-related stress from other material risk events and/or a major economic downturn.	Caltex seeks to prudently manage liquidity risk by maintaining a capital structure that supports its activities and centrally monitors cash flow forecasts, including the degree of access to debt and equity markets. A key element of its funding strategy is the use of committed undrawn debt facilities, with an extended facility maturity profile.
14. Financial markets	Commodity prices, refiner margin (RM) and other associated markets driven by supply and demand for Caltex's products may vary outside of expectations from time to time. Foreign exchange rate variations can offset or exacerbate this risk.	Caltex balances its exposure to financial market risk in accordance with the Board approved Group Treasury Policy. The policy sets a range of quantitative and volumetric limits to reduce the inherent risk to levels within the desired risk appetite threshold. Caltex regularly monitors the RM and reports this as part of its updates to senior management and the Board. Caltex's policy has been not to hedge RMs.

Compliance and conduct risks

Material risk	Description	Monitor and manage
15. Regulatory, compliance and socio-political	Caltex is exposed to a wide range of economic, socio-political and regulatory environments since its operations are located across several jurisdictions.	Caltex applies strict operating standards, policies, procedures and training to ensure that it remains in compliance with its various permits, licences, approvals and authorities. In addition, Caltex proactively manages regulatory risks through a combination of vigilance regarding current regulations, contact with relevant bodies/agencies and working in partnership with various stakeholders to reduce the likelihood of significant incidents that could impact Caltex and/or the communities in which it operates. Caltex engages with regulatory bodies and industry associations to keep abreast of changes to laws. It has a stakeholder engagement plan that is actively managed to mitigate the impact of major policy changes.
16. Fraud or ethical misconduct	Caltex's brand, reputation and social licence to operate can be negatively impacted through actual or perceived breaches of law, and/or behaviours and actions that are inconsistent with the Company's values or breach its Code of Conduct.	

Events subsequent to the end of the year

On 25 February 2020, the Group announced changes to its senior leadership team. Julian Segal, MD and CEO, will retire and step down from his role with effect from 2 March 2020. Matthew Halliday, currently Caltex's CFO, has been appointed as Interim CEO with effect from 2 March 2020. Current EGM Fuels and Infrastructure, Louise Warner, has been appointed as Interim Chief Operating Officer and current Deputy CFO, Jeff Etherington, has been appointed to Interim CFO. Joanne Taylor will continue as EGM Convenience Retail, reporting to the CEO.

There were no other items, transactions or events of a material or unusual nature that 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 2019.

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 Safety and Sustainability 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 and CEO and the Executive 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 are 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 2019, Caltex made its eleventh 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 continued to disclose information on emissions under the National Pollutant Inventory. Caltex continues to remain a signatory to the Australian Packaging Covenant.

Compliance with environmental regulations

In 2019, companies in the Caltex Group held 18 environmental protection licences relating to the Lytton refinery, nine terminals, one aviation refuelling facility, a lubricants manufacturing facility, a bulk shipping facility, four depots (under two licences) and three service stations.

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.

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

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

The business had no environmental infringements in 2019.

Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 69 and forms part of the Directors' Report for the financial year ended 31 December 2019.

Directors' Report
CONTINUED

Remuneration Report

Message from the Human Resources Committee

Dear Shareholder,

The Remuneration Report provides information about the Caltex remuneration framework and remuneration outcomes for key management personnel (KMP). KMP comprises the Managing Director and Chief Executive Officer and select direct reports to the CEO (collectively Senior Executives) and Non-executive Directors (NED). The Remuneration Report provides a transparent link between performance and remuneration outcomes.

Company performance and remuneration outcomes in 2019

Over the last year, Caltex has leveraged the skills of its people and strong partnerships across industry to build on the solid foundations in place for future growth. Coupled with a refocus on capital discipline and on sustainably reducing costs, these developments position us to deliver for shareholders in the years ahead.

In Fuels and Infrastructure, we have maintained our position as the leading player in Australian transport fuels, delivering strong volumes and earnings growth in our international business. In Convenience Retail, we have continued to transition stores to company operation, increased our market share in a competitive retail fuels market and launched our first Caltex Woolworths Metro stores.

Despite this, 2019 was a disappointing financial result, impacted by lower regional refining and retail fuel margins, softer economic conditions and unplanned outages caused by a third-party power disruption at our Lytton refinery. Under our preferred method of reporting, replacement cost of sales operating profit (RCOP), Caltex delivered NPAT of $344 million, down 38% on our result in 2018.

RCOP NPAT performance is the gateway to short-term incentive (STI) participation at Caltex. In 2019, threshold RCOP NPAT performance was not achieved and therefore STI was not paid to Senior Executives (or any employees). This, combined with the key remuneration decisions for KMP (listed below), demonstrates the strong alignment between our remuneration framework and company performance:

- The MD&CEO did not receive a salary increase for the fourth consecutive year.
- Only one Senior Executive received a salary increase, which reflected a move to align with market remuneration.
- Short term incentives were not paid as threshold performance was not met.
- A small percentage (6.66%) of the 2017 long-term incentive (LTI) award will vest.
- NED fees remained largely unchanged, with only one change to bring alignment to Committee Chair fees.

Changes to the Remuneration Policy and structure

The remuneration framework is important in ensuring that remuneration outcomes support and reward successful execution of Caltex's business strategy. The STI and LTI performance measures are designed to reflect Caltex's annual and longer-term strategic goals and only reward Executives when these goals are achieved.

Caltex will be making one change to the 2020 LTI structure to equally weight relative TSR and Return on Capital Employed (ROCE) to reflect the Board's view of the key indicators of successful implementation of Caltex's long-term strategy.

Changes to key management personnel

In 2019 Caltex made some changes to KMP to ensure a stronger management team into the future. Matthew Halliday was appointed Chief Financial Officer in April 2019 following the retirement of Simon Hepworth and Joanne Taylor was appointed Executive General Manager, Convenience Retail in March 2019.

On 25 February 2020 Caltex announced that Julian Segal will step down as MD&CEO with effect from 2 March 2020 and that Matthew Halliday, currently Caltex's CFO, has been appointed as Interim CEO with effect from 2 March 2020. Louise Warner, currently Caltex's EGM Fuels and Infrastructure will be appointed Interim Chief Operating Officer and Jeff Etherington, currently Deputy CFO, will be appointed Interim CFO. Joanne Taylor will continue as EGM Convenience Retail and report to the CEO.

The Board recognises the critical importance of CEO succession and we have made significant progress. However, the recent announcement about the proposals to acquire Caltex have made it impossible to complete the search at this time. The interim leadership arrangement enables us to continue to engage with interested parties on a potential transaction while continuing to execute our strategy.

On behalf of the Board, I thank you for your continued interest in Caltex and we trust that this overview and the accompanying detail of the full Remuneration Report are helpful when forming your views on Caltex's remuneration arrangements.

Kind regards,

Barbara Ward AM,
Chairman, Human Resources Committee

Remuneration Report continued

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 2019.

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

1a. Key management personnel

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 MD AND CEO).

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

Current Non-executive Directors	
Steven Gregg	Chairman and Independent, Non-executive Director
Mark Chellew	Independent, Non-executive Director
Melinda Conrad	Independent, Non-executive Director
Bruce Morgan	Independent, Non-executive Director
Barbara Ward AM	Independent, Non-executive Director
Penny Winn	Independent, Non-executive Director
Former Non-executive Directors	
Trevor Bourne(i)	Independent, Non-executive Director
Current Senior Executives	
Julian Segal	MD and CEO
Matthew Halliday(ii)	Chief Financial Officer
Joanne Taylor(iii)	Executive General Manager, Convenience Retail
Louise Warner	Executive General Manager, Fuels and Infrastructure
Former Senior Executives	
Simon Hepworth(iv)	Chief Financial Officer
Richard Pearson(v)	Executive General Manager, Convenience Retail

Notes:

(i) Mr Bourne retired from the Board as an Independent, Non-executive Director effective 9 May 2019.

(ii) Mr Halliday was appointed Chief Financial Officer effective 15 April 2019.

(iii) Ms Taylor was appointed Executive General Manager, Convenience Retail effective 1 March 2019.

(iv) Mr Hepworth ceased as Chief Financial Officer effective 15 April 2019 and ceased employment effective 1 July 2019.

(v) Mr Pearson ceased as Executive General Manager, Convenience Retail effective 1 March 2019 and ceased employment effective 30 September 2019.

Directors' Report
CONTINUED

Remuneration Report continued

1. Remuneration snapshot continued

1b. Senior Executive remuneration outcomes in 2019

Remuneration element	Outcome
MD and CEO remuneration	There were no changes to the fixed remuneration of the MD and CEO in 2019.
Other Senior Executive remuneration increase	No Senior Executive, aside from the EGM Fuels and Infrastructure, received a salary increase in 2019. The EGM Fuels and Infrastructure received a fixed remuneration increase of 6%. This increase aligns her salary with market.
STI	RCOP NPAT performance in 2019 was 65% of target, which is below the threshold level of performance. This results in no STI awards being payable in 2019 and demonstrates strong alignment between STI payments and profit achieved.
LTI	The 2016 LTI grant had a performance period from 1 January 2016 to 31 December 2018 and vested in April 2019. This grant was subject to the achievement of relative TSR against S&P/ASX 100 companies (60%), and a strategic profit growth measure (40%). Caltex's three-year TSR performance compared to S&P/ASX 100 companies over the period from 1 January 2016 to 31 December 2018 was -16%, placing it at the 8th percentile of the comparator group. As no percentage of this tranche vests unless the Company's TSR performance achieves at least the 50th percentile performance, no portion of the performance rights subject to the relative TSR performance measure (60% of all rights awarded) vested on 1 April 2019. The strategic measure was based on a profit growth target at the end of 2018 (in reference to 2015) attributable to mergers and acquisitions (M&A) (core and non-core) and step-out ventures (new products/services/geographies), excluding refining activities. As at the end of 2018, three ventures collectively generated additional NPAT of over $77 million of profit growth in 2018, the final year of the 2016 to 2018 performance period when compared to that budgeted by Caltex at the start of the performance period. These three ventures were the acquisition of Gull New Zealand; investment in SEAOIL; and continued step-out and growth initiatives by Ampol in areas such as freight optimisation, blending optimisation and arbitrage opportunities as well as growth in third party sales. All three ventures exceeded their Return on Average Funds Employed (RoAFE) gateway set out in the applicable business case for the venture; or, where there was no explicit business case, they exceeded the Board's RoAFE target of 15%. As noted in our 2018 Remuneration Report, this performance resulted in 53.05% of this tranche vesting (between threshold and target level of performance) and 21.22% of the overall 2016 LTI award vested.

1c. Summary of 2019 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, except for the Nomination Committee where no additional fee is paid.

Non-executive Director base fees did not change in 2019. There was no other change to the fees paid to Non-executive Directors, aside from a $6,000 increase in the fee paid to the Chair of the Safety and Sustainability Committee, to bring this fee in line with the fees paid to other committee chairs.

Superannuation contributions were made at a rate of 9.5%. No additional retirement benefits were paid.

Fees paid to Non-executive Directors are subject to a maximum annual Non-executive Director fee pool of $2.5 million (including superannuation). This fee pool was approved by shareholders at the 2016 AGM and has not been increased since this meeting.

See sections 4a and 4b for further detail.

Remuneration Report continued

1. Remuneration snapshot continued

1d. Outlook for 2020 (unaudited)

Key issues and changes to remuneration arrangements in FY20[1] are outlined below:

Change	Commentary
MD and CEO remuneration	The Board determined that it would again freeze the fixed remuneration of the MD and CEO for 2020, and there are no changes to his remuneration. The MD and CEO last received a fixed remuneration increase in April 2015.
Senior Executive remuneration[2]	No Senior Executive, aside from the EGM Convenience Retail, will receive a salary increase in 2020. The EGM Convenience Retail will receive a fixed remuneration increase of 2.5%. This increase is being made as her base salary was low at commencement relative to our external peer group benchmark.
LTI	See section 3d for further detail on the performance of the 2017 LTI award, which vests in April 2020. For the 2020 LTI awards, the same relative TSR and ROCE performance hurdles (from 2019) will be used, although they will be reweighted to 50% each.
Non-executive Director fees	Non-executive Director fees will not change in 2020.
Non-executive Director fee pool	There will be no change to the Non-executive Director fee pool for 2020.

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 are reserved for 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 to fulfil its corporate governance and oversight responsibilities in relation to Caltex's remuneration framework, incentive plans, succession planning, remuneration and diversity and inclusion disclosures, including setting the measurable objectives for achieving diversity and inclusion. It also reviews, on a regular basis, progress made towards achieving these objectives.

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

The Human Resources Committee seeks to put in place appropriate remuneration arrangements and practices that are clear and understandable, attract and retain talent and capability, and support superior performance and long-term growth in shareholder value.

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

2b. External advice

The Human Resources Committee is independent of management and is authorised to obtain external professional advice as necessary. The use of external specialists to provide advice and recommendations specifically in relation to the remuneration of Non-executive Directors, the MD and 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 Chair.

During 2019, Caltex received no 'remuneration recommendations' (as defined in the Corporations Act).

1 On 14 August 2019, Caltex announced Julian Segal, MD and CEO, would retire and step down once the Board completes a formal succession and transition process. On 25 February 2020, Caltex announced Julian Segal will step down from his role with effect from 2 March 2020. Matthew Halliday, currently Caltex's CFO, has been appointed as Interim CEO with effect from 2 March 2020. Current EGM Fuels and Infrastructure, Louise Warner, has been appointed as Interim Chief Operating Officer and current Deputy CFO, Jeff Etherington, has been appointed to Interim CFO. Joanne Taylor will continue as EGM Convenience Retail, reporting to the CEO.

2 In recognition of the extended CEO transition period and the need for executive team stability while a material potential transaction is being considered, a cash retention payment to the value of 100% of fixed annual remuneration is in place for existing Senior Executives. This will be paid only if those executives remain in their employment at a specified time, and the Board determines at that time that no change of control event has or will occur.

Remuneration Report continued

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 strong shareholder returns. The guiding philosophy underpinning the way Caltex rewards Senior Executives and all other employees is outlined below:

Guiding philosophy	Commentary
Alignment with shareholders' interests	The payment of short-term incentives is dependent upon achieving financial and non-financial performance measures that are aligned with Caltex's strategy. The vesting of long-term incentives is aligned with achieving strong returns for shareholders with the key measures of success being both relative Total Shareholder Return and Return on Capital Employed (ROCE) (from 2019). Share retention arrangements within the LTI scheme require all Executives to build up and maintain shareholdings to encourage further alignment with Caltex shareholders. Further detail on these measures is outlined in section 3d.
Performance focused and differentiated	The Company's reward, 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 talent.
Ensure gender equity in remuneration outcomes	Remuneration is reviewed to understand and address any gender-based pay differences on a like-for-like job level basis.

Market positioning and peer groups

The Company's remuneration philosophy is to position fixed remuneration at the median of a customised peer group of companies, with total remuneration able to reach the upper quartile for stretch performance. For 2019, the customised peer group consisted of 20 companies that are broadly of comparable size and complexity and which the Board considers to be leading competitors for capital and people.

The Board recognises that external stakeholders often assess pay reasonableness against a pure market capitalisation peer group. Due to this, in making pay decisions, the Board also considers pay positioning against a secondary peer group. This secondary peer group consists of 20 companies (10 with a market capitalisation directly above, and 10 with a market capitalisation directly below, that of Caltex). Externally managed trusts and overseas domiciled companies are excluded.

Remuneration structure

Our Senior Executive remuneration structure consists of:

- **Fixed remuneration** – this comprises base salary, non-monetary benefits and superannuation. Superannuation is payable at a rate of 9.5% of base salary and on any cash short-term incentive payments.
- **Variable remuneration** – this comprises a mix of cash short-term incentive (only payable if a threshold level of 80% RCOP NPAT target is met, i.e. the gateway) and equity-based incentives awarded upon the achievement of relative TSR and a return-based performance measure.

The remuneration structure (including the remuneration mix) is approved annually by the Board.

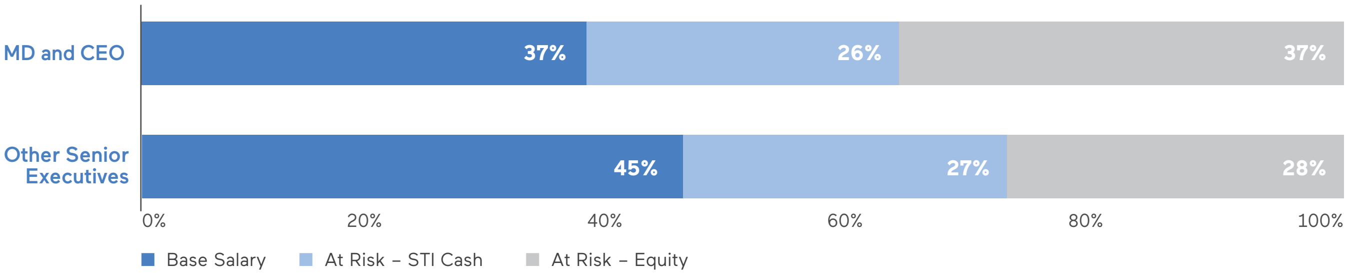
Remuneration Report continued

3. Senior Executive remuneration continued

3b. Remuneration mix

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, and within the variable pay components, the mix is skewed towards the long-term incentive. See section 3d for further information on the long-term incentive performance hurdles and vesting schedules.



Notes:

(i) 'At target' performance in the remuneration mix for 'Other Senior Executives' reflects STI target of 60% of the average base salary across three of the Senior Executives: for Mr Halliday, Ms Warner and Ms Taylor.

(ii) At Risk - Equity comprises performance rights granted under the Caltex Equity Incentive Plan (CEIP). The remuneration mix above assumes that both the relative TSR and ROCE measures achieve target performance.

Directors' Report
CONTINUED

Remuneration Report continued

3. Senior Executive remuneration continued

3c. Performance-based 'at risk' remuneration – 2019 STI Plan

Plan	STI awards are made under the Rewarding Results Plan
Plan rationale	The plan 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 Senior Executives on executing critical business plan objectives.
Performance period	The performance period is for 12 months ending 31 December 2019.
2019 target and maximum stretch opportunity levels	MD AND CEO – the target STI opportunity is 70% of base salary and the maximum stretch STI opportunity is 140% of base salary. Other Senior Executives – the target STI opportunity is 60% of base salary and the maximum stretch STI opportunity is 120% of base salary.
Financial gateway	RCOP NPAT performance, including the cost of incentives, needs to be at least 80% of target before any short-term incentives are payable. In 2019, RCOP NPAT achieved 65% of target, which is below this threshold. This meant the RCOP NPAT gateway was not achieved and no STI was payable to the MD AND CEO or to any Senior Executives.
Use of discretion	The Human Resources Committee, in its advisory role, reviews proposed adjustments to the Rewarding Results Plan 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. In 2019, no discretion was recommended by the Human Resources Committee.
Payment vehicle	STI awards are delivered in cash.
Payment frequency	STI awards are paid annually. Payments are made in April following the end of the performance period.

Setting and evaluating the performance of Executives in 2019

Performance measures for 2019 were derived from the business plan in line with the Company direction set by the Board. The Board approved the 2019 business plan and with the Human Resources Committee has regularly monitored and reviewed progress against plan milestones and targets at the Business Unit level.

Within each Business Unit, specific performance agreements were developed for teams and 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 and CEO, and the MD and CEO's performance objectives are approved by the Board.

Senior Executive performance objectives and outcomes

The table below outlines the common performance objectives that applied to two or more Senior Executives over 2019. These measures accounted for between 50% and 55% of the Senior Executives' scorecards. The remaining 45-50% of performance objectives were customised to the Executive's remit. Such objectives included delivery of specific strategic growth projects/milestones, achievement of divisional EBIT targets, and achievement of key development targets. For the MD and CEO's scorecard, the additional objectives included:

- Fuels and Infrastructure strategic objectives (15%): focusing on F&I EBIT, growth in profitable fuels volume and profitable M&A ventures in adjacent markets;
- Convenience Retail strategic objectives (15%): focusing on Retail EBIT, the successful delivery of the Woolworths metro partnership and associated benefits; the Franchise transition project, and other key Retail projects in 2019;
- Financial and People Capability objectives (10%): addressing key issues such as cost initiatives, succession, capability and diversity.

Actual performance against the common Senior Executive objectives is provided below.

Remuneration Report continued

3. Senior Executive remuneration continued

3c. Performance-based 'at risk' remuneration – 2019 STI Plan continued

Senior Executive performance objectives and outcomes continued

Measure	Descriptor of measure	Weighting	Actual performance range					Commentary on performance
			Below Threshold	Threshold to Target	Target	Target to Stretch	Stretch	
Personal safety – Fuels and Infrastructure	Performance is measured based on the total recordable injury frequency rate (TRIFR)	5-7.5%	✓					Fuels and Infrastructure personal safety performance did not meet threshold with a TRIFR of 10.7. The majority of these incidents occurred during high frequency, routine tasks and resulted in low severity injuries. The Days Away from Work Injury Frequency Rate (DAFWIFR) was 3.8 and there was one high severity (Cat 2) injury.
Personal safety – Convenience Retail	Performance is measured based on the total reportable injury frequency rate (TRIFR)	5-7.5%	✓					Convenience Retail personal safety performance did not meet the threshold with a TRIFR of 14.0. The majority of these incidents involved slips, trips and falls and less significant muscular skeletal injuries and there were no high severity (Cat 2) injuries. The DAFWIR was 7.8.
Process safety (assessed at company or business unit level)	Performance is measured based on the number of spills	5-7.5%	✓					Process safety performance did not meet threshold with 8 recordable spills; including 5 minor spills and 3 marine spills. This result is equal to the average annual spills over the last five years. There were no Tier 1 Process Safety incidents for the first time in 4 years.
RCOP NPAT	See explanation of RCOP NPAT below	40%	✓					2019 was a disappointing financial result, impacted by lower regional refining and retail fuel margins, softer economic conditions and unplanned outages caused by a third-party power disruption at our Lytton refinery.
Free cash flow (FCF)	FCF excluding growth capital expenditure and dividends	5%				✓		Free cash flow results were between target and stretch for 2019.

If all business objectives are achieved at threshold level, 60% of the target STI opportunity would be payable. If 100% of the target is achieved, 100% of the STI target opportunity would be payable. If all business objectives are achieved at the maximum level, 200% of the STI target opportunity would be payable. Payments are pro-rated between threshold and target, and between target and maximum. This pay-out schedule deliberately incentivises above target performance.

Directors' Report
CONTINUED

Remuneration Report continued

3. Senior Executive remuneration continued

3c. Performance-based 'at risk' remuneration – 2019 STI Plan 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 cost of goods sold due to fluctuations in the AUD price of crude and product prices (which are impacted by both the USD price and the foreign exchange rate) constitute a major external influence on Caltex's profits. RCOP NPAT restates profit to remove these unintended impacts. The Caltex RCOP methodology is consistent with the methods used by other refining and marketing companies for presentation 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 reduction. 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 30 to 45 days of inventory, revenues generally reflect current prices in Singapore whereas FIFO costing reflects costs some 30 to 45 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. Similarly, where there are sales revenues on a different basis to current month pricing, the revenue is recalculated on current pricing with the resulting pricing lag a component of reported inventory gains and losses.

Each year, the Board reviews any significant items, positive and negative, and considers their relevance to the RCOP NPAT result. The Board may exclude any exceptional events from RCOP NPAT that management and the Board consider to be outside the scope of usual business. Exclusions may be made to give a clearer reflection of underlying financial performance from one period to the next.

3d. Performance based 'at risk' remuneration – 2019 LTI Plan

Plan	LTI awards are granted under the Caltex Equity Incentive Plan (CEIP)
Plan rationale	The plan aligns Executive rewards with the shareholder experience. This is done through the use of relative TSR as the key performance measure, and through the use of a Return on Capital Employed measure to ensure capital is managed in such a way to maximise value and deliver strong shareholder returns. The plan has also been designed to act as a retention mechanism and to encourage Senior Executives to build and retain Caltex shares over the long term.
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. 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. Overseas based executives may also receive rights which can only be cash-settled (but these awards have the same service conditions and performance hurdles).
Allocation methodology	The number of performance rights granted is determined by dividing the maximum opportunity level by the 20-day volume weighted average share price up to the first day of the performance period, discounted by the value of the annual dividend to which the performance rights are not entitled. No discount is applied for the probability of achieving the performance measures.
Performance period	The performance period is three years commencing on 1 January in the year the awards are made. For the 2019 awards, this is the three-year period from 1 January 2019 to 31 December 2021.
2019 target and maximum stretch opportunity levels	The MD and CEO received a grant of performance rights based on a maximum stretch LTI value of 150% of base salary. The target LTI value is 100% of base salary. Other Senior Executive grants were based on a maximum stretch LTI value of 90% of base salary. The target LTI value is 60% of base salary.

3. Senior Executive remuneration continued

3d. Performance-based 'at risk' remuneration – 2019 LTI Plan continued

Performance measures

For 2019, the LTI performance measures were relative TSR (weighted at 60%) and a Return on Capital Employed (ROCE) measure (weighted at 40%).

Relative TSR

Relative TSR is assessed against a comparator group of S&P/ASX 100 companies. The vesting schedule is:

Performance scale	Vesting %
Below Threshold	Zero
Threshold: 50th percentile	33.3% of the rights will vest
Between Threshold and Target	Pro-rata vesting occurs between these relative performance levels
Target: 75th percentile	66.6% of the rights will vest
Between Target and Stretch	Pro-rata vesting occurs between these relative performance levels
Stretch: 90th percentile	100% of the rights will vest

Return on Capital Employed

ROCE is measured in accordance with the following formula:

RCOP EBIT/Average Capital Employed.

ROCE is calculated by using the average RCOP EBIT and the average capital employed over the three-year performance period.

The ROCE threshold has been set above our Weighted Average Cost of Capital and with target ROCE aligned to the three-year business plan target approved in 2019. When testing the ROCE targets, the Board has full discretion in relation to its calculation and may include or exclude items to appropriately reflect the impact of corporate actions such as merger and acquisitions or major projects which, while in shareholders' long term interests, may adversely impact near term ROCE.

This measure has been chosen due to the importance for shareholders that we obtain an appropriate return on our invested capital and the importance of capital efficiency to our business strategy. It reflects the importance placed on capital discipline and the need to grow earnings in our Convenience Retail and Fuels and Infrastructure businesses, but only where this can be done at an appropriate return on the invested capital to maximise value for shareholders.

The ROCE measure shares the same performance scale and vesting formula as the relative TSR measure. At threshold performance 33.3% of rights vest, at target 66.6% of rights vest, with 100% of rights vesting requiring a stretch performance level. Pro-rata vesting occurs between these relative vesting levels.

Disclosure of performance outcomes

Specific details of the ROCE targets have not been disclosed due to commercial sensitivity. However, in the 2021 Remuneration Report, the Board will set out how Caltex performed against these targets.

Directors' Report
CONTINUED

Remuneration Report continued

3. Senior Executive remuneration continued

3d. Performance based 'at risk' remuneration – 2019 LTI Plan continued

Shares acquired upon vesting of the performance rights	Shares to satisfy vested performance rights are usually purchased on market. Shares allocated upon vesting of performance rights will carry the same rights as other ordinary shares (including dividends and voting rights).
Share retention arrangements	The share retention arrangements are designed to encourage all Executives to build up and maintain 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. These shares are unable to be sold for a further period of four years (until 1 April 2026 for the 2019 LTI awards). This effectively extends the life of the LTI Plan from three years to seven years. For LTI awards from 2016, retention arrangements may be waived if the Executive can demonstrate he or she holds the equivalent of 100% of their base salary in shares prior to vesting. On ceasing employment, all dealing restrictions on the restricted shares cease to apply, subject to the application of the Clawback Policy.
Clawback Policy	See section 3e 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 LTI Plan 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 measures at the usual time.
Change of control provisions	Any unvested performance rights may vest at the Board's discretion. The Board has indicated to Senior Executives that it is the Board's intention to exercise its discretion under the LTI Plan rules to vest the 2018 and 2019 LTI grants in full in the event a change of control transaction were to be agreed or be commenced, with the rights vesting just before any change of control transaction becomes unconditional. The same approach would apply to the 2020 LTI grant once granted.

Remuneration Report continued

3. Senior Executive remuneration continued

3d. Performance-based 'at risk' remuneration – 2019 LTI Plan continued

Legacy LTI awards

The 2017 and 2018 LTI awards will vest in April 2020 and April 2021 respectively. The operation of these awards is broadly consistent with the 2019 awards, with a 60% weighting on relative TSR and 40% on other measures. For the 2017 and 2018 LTI awards, the non-TSR metrics are strategic measures, with the awards having two and three strategic measures respectively. Further detail on these awards is set out below, including the vesting performance for the 2017 award.

<table>
<tr><th>Performance measure</th><th>Commentary</th></tr>
<tr><td>Relative TSR - 2018 grant</td><td>The operation of the relative TSR measure is the same as that outlined above under the 2019 awards.</td></tr>
<tr><td>Strategic measures</td><td>Performance measures
2018:
The 2018 Fuels and Infrastructure growth measure (20% weighting) will measure material changes to earnings which result from mergers and acquisitions and step-out ventures. The growth will be measured in annualised RCOP EBIT. The scope of the metric will not include growth in existing business activities. Before this hurdle is assessed, the Board must also be satisfied that an appropriate RoAFE gateway has been met for any applicable M&A project.
The Board may exercise discretion regarding both the application of the gateway and in assessing how the profit growth result is measured. This measure was chosen as it reflects the importance of earnings growth outside our core business in achieving strong shareholder returns.
There are two evenly (10%) weighted components to the Convenience Retail strategic measure:
• The first component of this measure is the successful integration of franchisee-operated stores into the Calstores company operation over the three-year period to 31 December 2020. It will be measured by the Board's assessment of several project criteria including:
– the quality of teamwork, stakeholder management (including the fair and equitable treatment of franchisees and their employees), communications and change management;
– delivery of project milestones on time; and
– any material changes in circumstances affecting the schedule and costs of the project.
This measure has been chosen due to the major impact that this project will have on the future of the Company's Convenience Retail strategy and the importance the Board places on management ensuring that this project is executed/carried out fairly and equitably regarding treatment of all the key stakeholders.
• The second Convenience Retail measure will measure the incremental earnings resulting from new format stores, M&A and step-out ventures in the Company's Convenience Retail division. Growth will be measured based on EBIT from sites that have been converted to new Caltex formats or from other new retail business ventures including M&A. When this is assessed, the Board must be satisfied that an appropriate RoAFE gateway has been met. This measure was chosen as it reflects the importance of earnings growth in our Convenience Retail division from new format stores, in achieving a strong level of shareholder return.
Disclosure and performance assessment
2018: The Board will set out in the 2020 Remuneration Report how Caltex performed against the 2018 measures, including the Board's rationale for the relevant vesting percentage.</td></tr>
</table>

Directors' Report
CONTINUED

Remuneration Report continued

3. Senior Executive remuneration continued

3d. Performance based 'at risk' remuneration – 2019 LTI Plan continued

2017 LTI vesting outcomes

Relative TSR (60% weighting)

- The operation of the 2017 relative TSR measure was the same as that outlined above under the 2019 awards. Caltex's three-year TSR performance compared to S&P/ASX 100 companies over the period from 1 January 2017 to 31 December 2019 was 28%, placing it at the 46th percentile of the comparator group. As no percentage of this tranche vests unless the Company's TSR performance achieves at least the 50th percentile performance, no portion of the performance rights subject to the relative TSR performance measure will vest on 1 April 2020.

Profit growth (20% weighting)

- The first 2017 strategic measure is based on a profit growth target at the end of 2019 (in reference to 2015) attributable to M&A (core and non-core) and step-out ventures (new products/services/geographies), excluding refining activities. As at the end of 2019, while a number of ventures were successful in generating substantial NPAT in 2019, this amount did not exceed the threshold level set for this measure and no portion of this tranche will vest.

Convenience Retail strategic measures (20% weighting)

- The second 2017 strategic measure is based on the implementation of Caltex's Convenience Retail strategy. The Board has measured this through both quantitative and qualitative metrics, including: the roll-out of new formats across the existing and new Calstores network; the average percentage sales uplift per store; and a customer metric, based on improvement in customer feedback using Net Promotor Score (NPS) methodology.
- Customer experience is a central part of the Convenience Retail strategy. Against a high baseline established when Caltex first rolled out its NPS methodology, NPS increased 10% over the measurement period.
- The Board considered the sales uplift achieved by sites which upgraded in 2017 and 2018 to new formats. This was measured based on total shop sales uplift achieved by these upgraded sites in the 12 months of financial year 2019 when compared to the corresponding 12-month period immediately prior to the refurbishment. The aggregated result of 19% uplift has come in above the threshold level of performance.
- In 2019 the Company decided to slow the rollout of new pilots to enable a review of the format strategy which included the addition of the Caltex Woolworths Metro as part of our format offer. As a result, the Company did not meet its threshold targets for the roll-out of new format stores set in 2017.
- Overall, the Board has determined that this measure has met the threshold level of performance and 33.3% of this tranche will vest.

Overall, the performance outlined above will result in 6.66% of the 2017 LTI award vesting in April 2020.

3e. 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 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 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.

3f. Hedging and margin lending policies

The Caltex Securities Trading Policy prohibits Designated Caltex Personnel, which includes Senior Executives, from entering into any arrangements that would have the effect of limiting their exposure relating to Caltex securities, including vested Caltex securities or unvested entitlements to Caltex securities under Caltex employee incentive schemes.

Designated Caltex Personnel are prohibited from entering into any margin lending arrangements and other secured financing arrangements in respect of Caltex securities.

Designated Caltex Personnel are required to undertake training to ensure that they are aware of and understand their obligations and responsibilities under the Securities Trading Policy, which is available on our website. A contravention is a serious matter and may lead to disciplinary action, including termination of employment.

Remuneration Report continued

3. Senior Executive remuneration continued

3g. Senior Executive remuneration and service agreements

MD and CEO

The MD and CEO's remuneration is determined by the Board following receipt of a recommendation from the Human Resources Committee. In making its remuneration recommendation, the Human Resources Committee considered the performance of the MD and CEO and external market remuneration levels for companies of a similar size and complexity.

The split between the MD and CEO's 2019 total target and maximum stretch remuneration is outlined below.

Total target and maximum stretch remuneration		
Fixed remuneration including superannuation	**'At risk' – performance-based remuneration**	
	STI	**LTI(ii)**
	'At target'	'At target'– when TSR is at the 75th percentile of ASX 100 companies, and the strategic growth measure has been met at target.
$2,248,500(i)	$1,503,950 *(70% of base salary)*	$2,148,500 *(100% of base salary)*
	'Stretch'	'Stretch' – when TSR is at the 90th percentile of peer companies and the strategic growth measure has been met at stretch.
	$3,007,900 *(140% of base salary)*	$3,222,750 *(150% of base salary)*

Notes:

(i) The MD and CEO's fixed remuneration was unchanged during the 2019 remuneration review. It consists of a base salary of $2,148,500 and superannuation of $100,000.

(ii) Share retention arrangements have been in place for a number of years to encourage share retention and promote alignment with shareholders over the longer term.

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

Term	Conditions
Duration	Ongoing until notice is given by either party
Termination by MD and 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

Other Senior Executives

The remuneration and 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 other 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 of three 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.

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).

Directors' Report
CONTINUED

Remuneration Report continued

3. Senior Executive remuneration continued

3g. Senior Executive remuneration and service agreements continued

Table 2. Summary of Service Agreements for other Senior Executives

Term	Termination on notice (by the Company)	Resignation (by the Senior Executive)
Matthew Halliday	6 months	6 months
Joanne Taylor	6 months	6 months
Louise Warner	6 months	6 months

If a Senior Executive was to resign, their entitlement to unvested shares payable through the LTI would generally be forfeited and, if resignation was on or before 1 April 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.

Chief Financial Officer - Hepworth

Mr Simon Hepworth retired effective 1 July 2019. On retirement, his unvested long-term incentive awards were pro-rated based on the portion of the vesting period he was employed. The portion of LTI awards he retains will remain subject to the applicable performance hurdles and will vest, if applicable, in accordance with original terms of offer in April 2020 and April 2021. He did not receive a 2019 LTI award and no STI was payable to him for 2019.

Chief Financial Officer – Halliday (from 15 April 2019)

Mr Matthew Halliday was appointed on 15 April 2019 as Chief Financial Officer. Mr Halliday's contract included relocation and accommodation support to assist him to relocate from Canada, where he was previously employed. If Mr Halliday's employment ceases due to circumstances which would require his immediate termination within 12 months of commencement, the entire cost of relocation assistance must be repaid, excluding airfares.

Mr Halliday also received an award of restricted shares to compensate him for forgone LTI at his prior employer. Seventeen and a 1/2 per cent (17.5%) of the restricted share grant will vest after six months' employment, with an additional 17.5%, 30.2% and 34.8% of the grant vesting a further one, two and three years after this initial vesting date respectively (in 2020, 2021 and 2022). This vesting schedule is designed to reflect the vesting schedule of the LTI forgone. Each unvested tranche will lapse if his employment ceases due to resignation, negligent behaviour, unsatisfactory performance or circumstances requiring immediate termination prior to each respective vesting date.

The award of restricted shares is outlined in table 6.

Executive General Manager, Convenience Retail - Pearson

Mr Richard Pearson ceased employment with Caltex on 30 September 2019. On ceasing employment, Mr Pearson's unvested long-term incentive awards were pro-rated based on the portion of the vesting period he was employed. The portion of LTI awards he retains will remain subject to the applicable performance hurdles and will vest, if applicable, in accordance with original terms of offer in April 2020 and April 2021. He ceased in the EGM Convenience Retail role effective 1 March and to assist the new EGM Convenience Retail transition into the role, he started his six-month notice period on 1 April 2019, with his employment terminating on 30 September 2019. He will also receive a payment for past service equivalent to six months' salary as compensation for a six-month post-employment restraint, which is payable in April 2020 (subject to the restraint conditions being met).

Remuneration Report continued

3. Senior Executive remuneration continued

3h. 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 2019 remuneration outcomes are provided, and section 3 where the STI and LTI performance measures are explained, including why the measures have been chosen and how they relate to the performance of the Company.

Table 3 below outlines Caltex's TSR, dividend, share price, earnings per share, RCOP NPAT results and safety performance each year from 2015 to 2019 together with the linkage to actual STI and LTI outcomes.

Table 3. Link between Company performance and Senior Executive remuneration (unaudited)

Summary of performance over 2015-19	2019	2018	2017	2016	2015
12-month TSR %[(i)]	**36.9**	-21.7	11.8	-16.4	13.6
Dividends (cents per share)	**93c**	118c	121c	102c	117c
Share price[(ii)]	**$33.95**	$25.48	$34.05	$30.46	$37.70
RCOP excluding significant items earnings per share	**$1.36**	$2.06	$2.38	$2.01	$2.33
RCOP NPAT excluding significant items (million)[(iii)]	**$344**	$538	$621	$524	$628
Caltex Safety – TRIFR[(iv)]	**11.5**	8.29	5.2	5.57	5.95
Caltex Safety – DAFWIFR[(v)]	**5.7**	1.95	1.36	1.73	2.85
Link to remuneration					
STI – percentage of business plan RCOP NPAT target achieved	**65%**	89%	119%	87%	134%
STI – average Senior Executive outcome (relative to target)	**0%**	88%	121%	95%	146%
LTI – percentage vesting three years after grant date					
Year of grant	**2017**	2016	2015	2014	2013
Percentage of grant vesting	**6.66%**	21.22%	22.38%	84.78%	80.49%

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 of 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 and product prices (a key external factor) and excludes significant items as determined by the Board.

(iv) Total Recordable Injury Frequency Rate. Caltex changed its safety definitions in 2017 in line with Industry Standards (IOGP) and other ASX companies. Historic figures have been updated to provide comparative performance based on the new definitions.

(v) Days Away from Work Injury Frequency Rate (DAFWIFR). The total number of occupational injuries resulting in 'Days Away From Work' as certified by a physician during a nominated reporting period per 1,000,000 hours worked for a nominated reporting period. Caltex changed its definitions in 2017 in line with Industry Standards (IOGP) and other ASX companies. Historic figures have been updated to provide comparative performance based on the new definitions.

2017 LTI vesting outcomes and the link to Company performance

The vesting outcomes for the 2017 awards are set out above in section 3d.

Directors' Report
CONTINUED

Remuneration Report continued

3. Senior Executive remuneration continued

3i. Remuneration tables

Table 4a. Total remuneration earned by Senior Executives in 2019 (unaudited, non-statutory disclosures)

The following table sets out the actual remuneration earned by Senior Executives in 2019. The value of remuneration includes the equity grants where the Senior Executive received control of the shares in 2019.

The purpose of this table is to provide a summary of the "past" and "present" remuneration outcomes received in either cash or equity. Due to this, 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 LTI grants which may or may not vest in future years, whereas this table discloses the value of LTI grants from previous years which vested in 2019.

	Salary and fees(i)	Other remuneration (ii)	Bonus (short-term incentive)	Termination Benefit(iii)	LTI vested during the year(iv)	Remuneration 'earned' for 2019(v)
Executive Director						
Julian Segal (Managing Director and CEO)(vi)						
2019	2,223,500	135,972	–	–	564,106	2,923,578
Senior Executives						
Matthew Halliday (Chief Financial Officer)(vi)(viii)						
2019	716,346	102,859	–	–	424,432	1,243,637
Joanne Taylor (Executive General Manager, Convenience Retail)(vi)(vii)						
2019	830,336	74,171	–	–	78,780	983,287
Louise Warner (Executive General Manager, Fuels and Infrastructure)(vi)						
2019	972,403	82,437	–	–	44,340	1,099,180
Former Senior Executives						
Simon Hepworth (Former Chief Financial Officer)(ix)						
2019	249,845	144,702	–	228,261	135,009	757,817
Richard Pearson (Former Executive General Manager, Convenience Retail)(vi)(x)						
2019	312,605	91,603	–	437,500	–	841,708
Total remuneration: Senior Executives						
2019	5,305,035	631,744	–	665,761	1,246,667	7,849,207

Notes:

(i) Salary and fees comprise base salary and cash payments in lieu of employer superannuation (on 2019 base salary and/or on STI payments made in respect of the 2018 performance year paid in 2019).

(ii) Other remuneration includes the value of non-monetary benefits, superannuation, annual leave and long service leave entitlements, and any fringe benefits tax payable on non-monetary benefits.

(iii) Termination benefits includes salary paid during the Senior Executives' notice period. Termination benefits to Mr Pearson does not include any payment for the six-month restraint period post the termination of his employment as this is payable in April 2020.

(iv) This refers to cash and equity-based LTI plans from prior years that have vested in the current 2019 year. The value is calculated using the closing share price of Company shares on the vesting date. The 2019 LTI figures reflect that no portion of the relative TSR tranche rights granted in 2016 vested. Ms Warner's 2016 LTI award was cash-based as it was granted while she led Caltex's Ampol Singapore business. For Mr Halliday, this amount refers to the value of the restricted shares which vested to him during 2019.

(v) This refers to the total value of remuneration earned during 2019, being the sum of the prior columns.

(vi) 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.

(vii) Ms Taylor was appointed Executive General Manager, Convenience Retail effective from 1 March 2019.

(viii) Mr Halliday was appointed Chief Financial Officer effective from 15 April 2019.

(ix) Mr Hepworth ceased as Chief Financial Officer effective from 15 April 2019 and ceased employment on 1 July 2019.

(x) Mr Pearson ceased as Executive General Manager, Convenience Retail effective 1 March 2019. His six-month notice period commenced 1 April 2019, and he ceased employment on 30 September 2019.

Remuneration Report continued

3. Senior Executive remuneration continued

3i. Remuneration tables continued

Table 4b. Total remuneration for Senior Executives in 2019 (statutory disclosures)

The following table sets out the audited total remuneration for Senior Executives in 2018 and 2019, calculated in accordance with statutory accounting requirements:

	Primary			Post employment	Other long-term	Equity			Total
	Salary and fees(i)	Bonus (short-term incentive)	Non-monetary benefits(ii)	Super-annuation	Other(iii)	Termination Benefit (iv)	Share benefits (long-term incentive)(v)	Rights benefits (long-term incentive)(vi)	
Julian Segal (Managing Director and CEO)(v)(vii)									
2019	**2,264,809**	**–**	**16,044**	**25,000**	**53,619**	**–**	**–**	**907,296**	**3,266,768**
2018	2,314,380	1,237,751	15,487	25,000	53,702	–	–	1,566,899	5,213,219
Matthew Halliday (Chief Financial Officer)(vii)(x)									
2019	**761,279**	**–**	**25,378**	**15,634**	**16,914**	**–**	**1,028,564**	**115,871**	**1,963,640**
2018	–	–	–	–	–	–	–	–	–
Joanne Taylor (Executive General Manager, Convenience Retail)(vii)(viii)									
2019	**845,526**	**–**	**18,469**	**20,767**	**19,746**	**–**	**–**	**176,909**	**1,081,417**
2018	–	–	–	–	–	–	–	–	–
Louise Warner (Executive General Manager, Fuels and Infrastructure)(vii)									
2019	**995,956**	**–**	**16,280**	**20,767**	**21,837**	**–**	**–**	**214,295**	**1,269,135**
2018	936,934	472,725	17,158	20,290	20,621	–	–	240,603	1,708,231
Former Senior Executives Simon Hepworth (Former Chief Financial Officer)(ix)									
2019	**284,350**	**–**	**15,089**	**83,895**	**11,213**	**228,261**	**–**	**37,957**	**660,765**
2018	857,586	429,840	20,542	134,981	22,496	–	–	352,339	1,817,784
Richard Pearson (Former Executive General Manager, Convenience Retail)(vii)(xi)									
2019	**362,940**	**–**	**9,399**	**15,516**	**16,352**	**875,000**	**–**	**33,259**	**1,312,466**
2018	975,882	495,023	59,749	22,205	21,871	–	–	262,775	1,837,505
Total remuneration: Senior Executives									
2019	**5,514,860**	**–**	**100,659**	**181,579**	**139,681**	**1,103,261**	**1,028,564**	**1,485,587**	**9,554,191**
2018	5,084,682	2,635,339	112,936	202,476	118,690	–	–	2,422,616	10,576,739

Notes:

(i) Salary and fees include base salary and cash payments in lieu of employer superannuation. For 2019, the cash payments in lieu of employer superannuation are on 2019 base salary and/or on STI payments made in respect of the 2018 performance year paid in 2019. These figures also include any annual leave accruals for Senior Executives.

(ii) 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 fringe benefits tax payments made by Caltex.

(iii) Other long-term remuneration represents the long service leave accruals for all Senior Executives.

(iv) Termination benefits includes salary paid during notice periods. For Mr Pearson, termination benefits also includes a payment for a six-month restraint period post the termination of his employment, payable in April 2020, subject to his compliance with the terms of his restraint.

(v) Share benefits refer to the restricted shares awarded to Mr Halliday on commencing employment. These values have been calculated in accordance with accounting standards with further details regarding these awards set out in Tables 5 and 6.

(vi) These values have been calculated in accordance with accounting standards. The values may not represent the future value that the Senior Executive will receive, as the vesting of the performance rights is subject to Caltex achieving pre-defined performance measures.

(vii) 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.

(viii) Ms Joanne Taylor commenced as Executive General Manager, Convenience Retail on 1 March 2019 and her 2019 remuneration is disclosed from this date.

(ix) Mr Hepworth ceased as Chief Financial Officer effective from 15 April 2019 and ceased employment on 1 July 2019.

(x) Mr Matthew Halliday commenced employment on 15 April 2019 and his 2019 remuneration is disclosed from this date.

(xi) Mr Pearson ceased as Executive General Manager, Convenience Retail effective 1 March 2019. His six-month notice period commenced 1 April 2019, and he ceased employment on 30 September 2019.

Directors' Report
CONTINUED

Remuneration Report continued
3. Senior Executive remuneration continued
3i. Remuneration Tables continued

Table 5. Unvested shareholdings of Senior Executives during 2019

	Unvested shares at 31 Dec 2018	Restricted shares granted	Shares vested in current performance year	Forfeited	Unvested shares at 31 Dec 2019
Matthew Halliday (i)	–	93,166	(16,268)	–	76,898

Note:
(i) The restricted shares awarded to Mr Halliday represent the grant received on commencement with Caltex in lieu of the LTI forgone with his previous employer (refer to section 3g for further detail). Seventeen and 1/2 per cent (17.5%) of this award vested in October 2019, 17.5% will vest in October 2020, 30.2% will vest in October 2021 and the final tranche of 34.8% will vest in October 2022.

Table 6. Restricted share grant to a Senior Executive – 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. One award was made to the Chief Financial Officer in 2019 in respect of unvested LTI which lapsed upon his resignation with his prior employer. The estimated future cost of the unvested shares has been supplied below.

	Type of award	Year of award	Vested (% of shares vested)	Future years when shares will vest	Future cost to Caltex of unvested shares ($)
Matthew Halliday	Sign-on	2019	17.5%	2020 (17.5%) 2021 (30.2%) 2022 (34.8%)	1,517,691

Table 7. 2019 Senior Executive performance rights

Long term incentives for Senior Executives are awarded as performance rights under the CEIP as explained in section 3d. 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.

	Performance rights at 1 Jan 2019(i)	Granted in 2019(ii)	Vested in 2019(iii)	Lapsed in 2019(iv)	Balance at 31 December 2019
Current Senior Executives					
Julian Segal	**326,595**	141,360	(21,539)	(79,966)	366,450
Matthew Halliday	**–**	37,505	–	–	37,505
Joanne Taylor	**49,035**	31,185	(3,008)	(11,167)	66,045
Louise Warner	**55,370**	34,545	(1,693)	(6,287)	81,935
Former Senior Executives					
Simon Hepworth(v)	**80,870**	–	(5,155)	(42,073)	33,642
Richard Pearson(vi)	**51,710**	–	–	(17,748)	33,962

Notes:
(i) This relates to the 2016, 2017 and 2018 performance rights. If the service-based and performance-based vesting conditions are achieved, the 2017 and 2018 performance rights will vest in 2020 and 2021 respectively.
(ii) This relates to the 2019 performance rights. If the service-based and performance-based vesting conditions are achieved, these performance rights will vest in 2022.
(iii) This relates to the 2016 performance rights of which 21.22% vested. Senior Executives received one Caltex share for each right that vested (aside from Ms Warner as her 2016 LTI award was cash-based as it was granted while she led Caltex's Ampol Singapore business).
(iv) This relates to the 2016 performance rights of which 78.78% lapsed and for the former Senior Executives the pro-rated portion of unvested performance rights which lapsed on cessation of employment.
(v) Mr Hepworth ceased as Chief Financial Officer effective from 15 April and ceased employment on 1 July 2019.
(vi) Mr Pearson ceased as Executive General Manager, Convenience Retail effective from 1 March 2019 and ceased employment on 30 September 2019.

Remuneration Report continued

3. Senior Executive remuneration continued

3i. 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 and Deloitte (from 2018) 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.

	2019 grant(i),(ii)		2018 grant(i)		2017 grant(i)	
	Relative TSR against S&P/ASX 100	ROCE measure	Relative TSR against S&P/ASX 100	Strategic measure	Relative TSR against S&P/ASX 100	FCF and strategic measure
Grant date	4 April 2019/ 20 May 2019	4 April 2019/ 20 May 2019	4 April 2018/ 18 May 2018	4 April 2018/ 18 May 2018	4 April 2017/ 12 May 2017	4 April 2017/ 12 May 2017
Vesting date	1 April 2022	1 April 2022	1 April 2021	1 April 2021	1 April 2020	1 April 2020
Exercise price	Nil	Nil	Nil	Nil	Nil	Nil
Volatility	20%/20%	20%/20%	23%/22%	23%/22%	23%	23%
Risk-free interest rate	1.4%/1.23%	1.4%/1.23%	2.18%/2.27%	2.18%/2.27%	1.87%/1.82%	1.87%/1.82%
Dividend yield	4.45%/4.37%	4.45%/4.37%	3.6%/3.9%	3.6%/3.9%	3.6%	3.6%
Expected life (years)	3.0/2.9 years	3.0/2.9 years	3.0/2.9 years	3.0/2.9 years	3.0/2.9 years	3.0/2.9 years
Share price at grant date	$26.50/$27.01	$26.50/$27.01	$31.42/$30.81	$31.42/$30.81	$29.39/$32.68	$29.39/$32.68
Valuation per right	$8.23/$8.08	$23.19/$23.83	$11.88/$9.74	$28.24/$27.53	$10.76/$14.50	$26.39/$29.45

Notes:

(i) 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 Return on Capital Employed 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 Return on Capital Employed and strategic measures may be discounted during the performance period to reflect the Board's assessment of the probability of the number of equity instruments that will vest based on progress against the performance measures. These values are reflected in table 4b.

(ii) In 2019, two separate major awards of CEIP performance grants were made. The majority of Executive awards were made on 4 April 2019. The MD and CEO's award (and the award to Mr Halliday) were made on 20 May 2019 after shareholder approval for the MD and CEO's award was obtained at the 2019 AGM held on 9 May 2019. The terms of all 2019 awards, including all performance hurdles and vesting conditions are the same.

Table 9. Mix of fixed and variable remuneration based on 2019 statutory remuneration table

The proportion of each Senior Executive's remuneration for 2019 that was fixed, and the proportion that was subject to a performance measure, are outlined below. The percentages are based on the 2019 statutory remuneration disclosures in table 4b (including the LTI values which are determined in accordance with accounting standards), and do not correspond to the target remuneration percentages outlined in section 3b.

	Fixed	Variable (including short-term and long-term incentive payments)
Current Senior Executives		
Julian Segal	72%	28%
Matthew Halliday	42%	58%
Joanne Taylor	84%	16%
Louise Warner	83%	17%
Former Senior Executives		
Simon Hepworth(i)	94%	6%
Richard Pearson(ii)	97%	3%

Notes:

(i) Mr Hepworth ceased as Chief Financial Officer effective from 15 April 2019 and ceased employment on 1 July 2019.

(ii) Mr Pearson ceased as Executive General Manager, Convenience Retail effective 1 March 2019 and ceased employment on 30 September 2019.

Directors' Report
CONTINUED

Remuneration Report continued
3. Senior Executive remuneration continued
3i. Remuneration tables continued

Table 10. FY19 STI outcomes

The table below sets out the actual STI outcome for each Senior Executive as a percentage of their maximum STI opportunity.

Senior Executives	2019	2018
Julian Segal	0%	41%
Matthew Halliday(iv)	0%	–
Simon Hepworth(i)	0%	40%
Richard Pearson(ii)	0%	47%
Joanne Taylor(iii)	0%	–
Louise Warner	0%	48%
Average(v)	0%	44%

Notes:
(i) Mr Hepworth ceased as Chief Financial Officer effective from 15 April 2019 and ceased employment on 1 July 2019.
(ii) Mr Pearson ceased as Executive General Manager, Convenience Retail effective 1 March 2019 and ceased employment on 30 September 2019.
(iii) Ms Taylor was appointed Executive General Manager, Convenience Retail effective from 1 March 2019.
(iv) Mr Halliday was appointed Chief Financial Officer effective from 15 April 2019.
(v) This is the average for those KMP who were eligible to receive an STI payment in this year.

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. 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, considering 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 expertise and diversity. Additionally, when setting Non-executive Director fees, the Board considers factors such as external market data on fees and the size and complexity of Caltex's operations.

The Non-executive Directors' fees are fixed, and Non-executive Directors do not participate in any Caltex incentive or retirement plan.

4b. Board and Committee fees for 2019

The current maximum annual fee pool for Non-executive Directors is $2.5 million, including statutory entitlements. This amount was approved by shareholders at the 2016 Annual General Meeting.

Table 11. 2019 Non-executive Director fees

The table below outlines the 2019 Non-executive Director fees.

	Board		Committees(i)	
	Chairman	Member	Committee Chairman	Member
2019 fee(ii)	$502,207	$167,402	$46,000	$20,000

Notes:
(i) Comprising the Audit Committee, Human Resources Committee, and Safety and Sustainability Committee. No fees are paid to the Chair or members of the Nomination Committee.
(ii) Caltex paid superannuation of 9.5% for Non-executive Directors in addition to the above fees in 2019.

Remuneration Report continued

4. Non-executive Director fees continued

4c. Remuneration table

Table 12. Non-executive Director fees in 2019 (statutory disclosures)

The following table sets out the audited Non-executive Director fees in 2018 and 2019 calculated in accordance with statutory accounting requirements and which reflect the actual remuneration received during the financial year. Non-executive Directors are not eligible to receive any cash-based or equity-based incentives.

		Primary	Post-employment	Total
	Salary and fees	Non-monetary benefits	Superannuation(i)	
Current Non-executive Directors				
Steven Gregg (Chairman)				
2019	**502,207**	**921**	**47,710**	**550,838**
2018	502,207	247	47,710	550,164
Mark Chellew(ii)				
2019	**207,403**	**–**	**19,703**	**227,106**
2018	125,552	–	11,927	137,479
Melinda Conrad				
2019	**207,403**	**160**	**19,703**	**227,266**
2018	207,403	96	19,703	227,202
Bruce Morgan				
2019	**233,403**	**1,036**	**22,173**	**256,612**
2018	233,403	1,041	22,173	256,617
Barbara Ward AM				
2019	**233,403**	**221**	**22,173**	**255,797**
2018	233,403	215	22,173	255,791
Penny Winn				
2019	**233,403**	**–**	**22,173**	**255,576**
2018	207,403	–	19,703	227,106
Former Non-executive Directors				
Trevor Bourne(iii)				
2019	**73,643**	**596**	**6,996**	**81,235**
2018	227,403	487	21,603	249,493

Notes:

(i) Superannuation contributions are made on behalf of Non-executive Directors to satisfy Caltex's obligations under the Superannuation Guarantee legislation. Fees paid to Non-executive Directors may be subject to fee sacrifice arrangements for superannuation.

(ii) Mr Chellew was appointed to the Board as an Independent, Non-executive Director on the 2 April 2018.

(iii) Mr Bourne retired from the Board as an Independent, Non-executive Director on 9 May 2019.

Directors' Report
CONTINUED

Remuneration Report continued

5. Shareholdings of key management personnel

Table 13: 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.

	Held at 31 Dec 2018	Purchased	Vested	Sold	Held at 31 Dec 2019[i]
Directors					
Steven Gregg	6,000	–	–	–	6,000
Mark Chellew	1,400	–	–	–	1,400
Melinda Conrad	8,000	–	–	–	8,000
Bruce Morgan	10,500	–	–	–	10,500
Barbara Ward AM	6,500	–	–	–	6,500
Penny Winn	5,911	–	–	–	5,911
Former Directors					
Trevor Bourne	6,395	–	–	–	6,395
Senior Executives					
Julian Segal	325,585	4,150	21,539	–	351,274
Matthew Halliday	–	–	16,268	–	16,268
Joanne Taylor	–	–	3,008	–	3,008
Louise Warner	469	–	–	–	469
Former Senior Executives					
Simon Hepworth	30,761	–	5,155	18,000	17,916
Richard Pearson	–	–	–	–	–

	Held at 31 Dec 2017	Purchased	Vested	Sold	Held at 31 Dec 2018
Directors					
Steven Gregg	–	6,000	–	–	6,000
Trevor Bourne	5,395	1,000	–	–	6,395
Mark Chellew	–	1,400	–	–	1,400
Melinda Conrad	5,000	3,000	–	–	8,000
Bruce Morgan	10,500	–	–	–	10,500
Barbara Ward AM	5,000	1,500	–	–	6,500
Penny Winn	5,911	–	–	–	5,911
Senior Executives					
Julian Segal	302,916	–	22,669		325,585
Simon Hepworth	25,484	–	5,277	–	30,761
Richard Pearson	–	–	–	–	–
Louise Warner	469	–	–	–	469

Note:
(i) The shareholdings for any former Directors or former Senior Executives are as at the date they ceased employment or retired from their office.

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 2019 (2018: nil).

Directors' interests

The Directors' relevant interests in the shares of Caltex Australia Limited at 31 December 2019 are set out in the following table.

Director	Shareholding	Nature of interest
Steven Gregg	6,000 shares	Indirect interest
Julian Segal	351,274 shares 366,450 performance rights	Direct interest (269,367 shares) Direct interest in 366,450 performance rights Indirect interest (81,907 shares)
Trevor Bourne(i)	6,395 shares	Direct interest (3,395 shares) Indirect interest (3,000 shares)
Mark Chellew	1,400 shares	Indirect interest
Melinda Conrad	8,000 shares	Indirect interest
Bruce Morgan	10,500 shares	Indirect interest
Barbara Ward AM	6,500 shares	Direct interest
Penny Winn	5,911 shares	Indirect interest

Note:
(i) The shareholdings for any Former Directors are as at the date they ceased employment or retired from their office.

No other Director has acquired or disposed of any relevant interests in the Company's shares in the period from 1 January 2020 to the date of this Annual Report.

Board and committee meetings

The Caltex Board met 28 times during the year ended 31 December 2019. In addition, Directors attended Board strategy sessions and workshops, site visits and special purpose committee meetings during the year.

The numbers of Board and committee meetings attended by each Director during 2019 are set out in the following table:

Director	Board(i)		Audit Committee		Human Resources Committee		Nomination Committee		Safety and Sustainability Committee	
Current Directors	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Steven Gregg	28	28	–	–	–	–	3	3	–	–
Julian Segal	28	28	–	–	–	–	–	–	–	–
Trevor Bourne(iv)	6	6	–	–	1	1	1	1	1	1
Mark Chellew	28	27	–	–	4	4	3	3	–	–
Melinda Conrad	28	26	4	4	4	4	3	3	4	4
Bruce Morgan	28	25	4	4	–	–	3	3	4	4
Barbara Ward AM	28	28	4	4	4	4	3	3	–	–
Penny Winn	28	28	4	4	–	–	3	3	4	4

Notes:
(i) Includes out of session meetings but excludes strategy workshops and briefings.
(ii) 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.
(iii) A number of Directors also participated in Board Committees convened for special purposes.
(iv) Trevor Bourne retired on 9 May 2019.

Directors' Report
CONTINUED

Shares and interests

The total number of ordinary shares on issue at the date of this report and during 2019 is 250 million shares, reflecting the share buy back in 2019 of 11 million shares (2018: 261 million shares on issue). The total number of rights on issue at the date of this report is 1,700,742 (2018: 1,326,933). 908,182 rights were issued during 2019 (2018: 535,065). 516,578 rights vested or lapsed during the year (2018: 358,978), with an additional 17,795 rights lapsing in 2020 prior to the date of this report. On vesting, Caltex is required to allocate one ordinary share for each right. For each right that vests, Caltex intends to purchase a share on market.

Non-audit services

KPMG is the external auditor.

In 2019, KPMG performed non-audit services for Caltex 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 Caltex during the year ended 31 December 2019:

- for audit and review services – total fees of $1,748,700 (2018: $1,354,800). The 2019 audit fee includes audit work in respect of the adoption of new accounting standards in the year;
- for assurance services – total fees of $132,100 (2018: 19,200);
- for other services – total fees $80,940 (2018: $73,610).

The Board has received a written advice from the Audit Committee in relation to the independence of KPMG, as external auditor, for 2019. 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 Group during the year ended 31 December 2019 by KPMG is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001 (Cth); and
- the provision of non-audit services during the year ended 31 December 2019 by KPMG did not compromise the auditor independence requirements of the Corporations Act 2001 (Cth) for the following reasons:
  - The provision of non-audit services in 2019 was consistent with the Board's policy on the provision of services by the external auditor.
  - The non-audit services provided in 2019 are not considered to be in conflict with the role of external auditor.
  - The Directors are not aware of any matter relating to the provision of the non-audit services in 2019 that would impair the impartial and objective judgement of KPMG as external auditor.

Company Secretaries

The following person is the current Company Secretary of Caltex and the Caltex Group as at the date of this report.

Lyndall Stoyles

Ms Stoyles was appointed to this position in October 2016 when she joined Caltex. Ms Stoyles manages Caltex's legal, secretariat and compliance, internal audit and risk, human resources and corporate affairs teams. As EGM People Communications and Governance, she is responsible for providing legal advice to Caltex's Board, its CEO and broader leadership team.

Ms Stoyles has more than 20 years' experience in advising on competition, commercial and corporate head office legal issues. Prior to joining Caltex, Ms Stoyles was Group General Counsel and Company Secretary for former logistics business Asciano and spent more than a decade with Clayton Utz advising on competition, commercial and corporate law issues in a broad range of industries. Lyndall holds a Diploma of Law/Masters of Law from the University of Sydney and is a member of the Australian Institute of Company Directors.

Indemnity and insurance

Caltex has paid insurance premiums for Directors' and officers' liability for current and former Directors and officers of the Company, its subsidiaries and related entities.

The insurance policies prohibit disclosure of the nature of the liabilities insured against and the amount of the premiums.

The Constitution provides that each officer of the Company and, if the Board considers it appropriate, any officer of a subsidiary of the Company out of the assets of the Company to the relevant extent against any liability incurred by the officer in or arising out of the conduct of the business of the Company or the subsidiary (as the case may be) or in or arising out of the discharge of the duties of the officer, unless incurred in circumstances that the Board resolves do not justify indemnification. Where the Board considers it appropriate, the Company may execute a documentary indemnity in any form in favour of any officer of the Company or a subsidiary of the Company, provided that such terms are not inconsistent with the Constitution. For more information, refer to the Constitution on the Caltex website.

Rounding of amounts

Caltex Australia Limited is an entity to which Australian Securities and Investments Commission Corporations Instrument 2016/191 applies. Amounts in the 2019 Directors' Report and the 2019 Financial Report have been rounded off to the nearest thousand dollars (unless otherwise stated) in accordance with that instrument.

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

Steven Gregg
Chairman

Julian Segal
Managing Director & CEO
Sydney, 25 February 2020

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 of Caltex Australia Limited for the financial year ended 31 December 2019 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

KPMG

Julian McPherson

Partner

Sydney

25 February 2020

Directors' Declaration

In the opinion of the Directors of Caltex Australia Limited (the Company):

a) the financial statements and notes that are contained in pages 76 to 125 and the Remuneration Report set out on pages 44 to 66 are in accordance with the Corporations Act 2001 (Cth), including

   (i) giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the financial year ended on that date; and

   (ii) complying with Australian Accounting Standards, and the Corporations Regulations 2001;

b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

c) 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 as identified in Note F1 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 described in Note F1, and

d) a statement of compliance with International Financial Reporting Standards has been included in Note A to the financial statements for the year ended 31 December 2019.

The Directors have been given the declarations required by section 295A of the Corporations Act 2001 (Cth) from the Managing Director and CEO and the Chief Financial Officer for the financial year ended 31 December 2019.

Signed in accordance with a resolution of the Directors:

Steven Gregg
Chairman

Julian Segal
Managing Director & CEO
Sydney, 25 February 2020

This is the original version of the audit report over the financial statements signed by the directors on 25 February 2020. Page references should be read as follows to reflect the correct references now that the financial statements have been presented in the context of the Annual Report in its entirety: The audited Remuneration Report is included in pages 44 to 66 of this report, as opposed to pages 24 to 46 outlined below.

Independent Auditor's Report

To the shareholders of Caltex Australia Limited

Report on the audit of the Financial Report

Opinion

We have audited the ***Financial Report*** of Caltex Australia Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group***'s financial position as at 31 December 2019 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated balance sheet as at 31 December 2019
- Consolidated income statement, Consolidated statement of comprehensive income, Consolidated statement of changes in equity, and Consolidated cash flow statement for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The ***Group*** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Independent Auditor's Report continued

TO THE SHAREHOLDERS OF CALTEX AUSTRALIA LIMITED

KPMG

Key Audit Matters

The ***Key Audit Matters*** we identified are:

- Site remediation and dismantling provisions
- Taxation of Singaporean entities

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Site remediation and dismantling provisions (A$312,008k)

Refer to Note C6 to the Financial Report

The key audit matter	How the matter was addressed in our audit
The Group's determination of the environmental remediation provision relating to the Kurnell oil refinery following its conversion to an import terminal, which comprises a large portion of the Group's site remediation and dismantling provision, is considered a key audit matter. This is due to the inherent complexity in estimating future environmental remediation costs, particularly those forecasted to be incurred several years into the future. This is influenced by: • Current environmental and regulatory requirements, and the impact to the completeness of environmental remediation activities incorporated into the provision estimate; • The Group's expected environmental management strategy, as documented in the Kurnell site Remediation Action Strategy, and the nature of costs, which are dependent upon this strategy, incorporated into the provision estimate; • External expert advice sought by the Group in the current year regarding its obligations and estimates of future costs; and • The expected timing of the expenditure.	Our procedures included: • Checking the consistency of the basis for recognition and measurement of the environmental remediation provision with environmental and regulatory requirements, and the requirements of the accounting standards; • Reading the Group's external expert report, the Kurnell site Remediation Action Strategy submitted to the EPA, correspondence with regulatory authorities and other underlying site assessments. We did this to assess the Group's determination of future required remediation activities, their timing, and associated cost estimations. We compared them to the nature and quantum of costs contained in the provision balance; • Working with our environmental specialists, we: o evaluated the scope, competence, experience and objectivity of the Group's internal and external experts; o assessed the nature and quantum of cost estimates in the external expert's report, including contingency levels, against the information set out in the above reports and documentation, industry specific guidelines and standard practice; o compared individual cost components on a sample basis to underlying evidence such as external quotations.

Taxation of Singaporean entities (A$91,000k)	
Refer to Note E1 to the Financial Report	
The key audit matter	**How the matter was addressed in our audit**
The Group's determination as to whether the earnings from its Singaporean entities are subject to income tax in Australia is a key audit matter. This is due to the judgement required in assessing the Group's current estimate of taxation amounts, which required senior audit team member and tax specialist involvement. The critical elements of this were: • The significant uncertainty surrounding the timing of resolution of the matter with the Australian Taxation Office (ATO) and the final tax rate that will be levied in respect of the Group's Singaporean entities' earnings; and • The judgement in the Group's current estimate of taxation by applying the Australian income tax rate of 30% to the Singaporean entities' earnings, which may differ to the final tax that applies if the income is deemed to be non-assessable or only partially assessable in Australia.	Our procedures included: • Working with our tax specialists to evaluate the estimate by: ○ reading documentation received from the ATO as well as documentation prepared by the Group's internal and external advisors; and ○ updating our understanding of the issue, including the current status of discussions with the ATO, expected timing for resolution and the extent of any potential changes to the estimate; • Evaluating the disclosures of the Group, in particular disclosure of potential adjustments to future period income tax expense, by comparing them to our understanding of the matter.

Other Information

Other Information is financial and non-financial information in Caltex Australia Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Independent Auditor's Report continued

TO THE SHAREHOLDERS OF CALTEX AUSTRALIA LIMITED

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our Auditor's Report.

KPMG

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Caltex Australia Limited for the year ended 31 December 2019, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

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 responsibilities

We have audited the Remuneration Report included in pages 24 to 46 of the Directors' report for the year ended 31 December 2019.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

KPMG

Julian McPherson

Partner

Sydney

25 February 2020

Financial Statements

Contents

Consolidated Income Statement

FOR THE YEAR ENDED 31 DECEMBER 2019

Thousands of dollars	Note	2019	2018
Revenue	B1	22,307,079	21,731,342
Cost of goods sold – historical cost		(20,388,737)	(19,606,994)
Gross profit		1,918,342	2,124,348
Other income	B1	44,728	12,555
Other expense		-	(17,291)
Net foreign exchange gain/(loss)		3,654	(14,173)
Selling and distribution expenses		(1,122,243)	(1,061,236)
General and administration expenses		(207,224)	(224,234)
Results from operating activities		637,257	819,969
Finance costs		(120,995)	(51,872)
Finance income		1,239	2,670
Net finance costs	B2	(119,756)	(49,202)
Share of net profit of entities accounted for using the equity method	F3.2	4,231	10,133
Profit before income tax expense		521,732	780,900
Income tax expense	E1	(137,913)	(219,310)
Net profit		383,819	561,590
Profit attributable to:			
Equity holders of the parent entity		382,763	560,416
Non-controlling interest		1,056	1,174
Net profit		383,819	561,590
Basic and diluted earnings per share:			
Historical cost – cents per share – basic	B4	151.3	214.9
Historical cost – cents per share – diluted	B4	151.1	214.9

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 2019

Thousands of dollars	Note	2019	2018
Profit for the period		383,819	561,590
Other comprehensive income			
Items that will not be reclassified to income statement:			
Actuarial gain/(loss) on defined benefit plans		3,648	(2,793)
Tax on items that will not be reclassified to income statement	E2.2	(1,094)	838
Total items that will not be reclassified to income statement		2,554	(1,955)
Items that may be reclassified subsequently to income statement:			
Foreign operations – foreign currency translation differences		11,006	52,618
Net change in fair value of net investment hedges		(1,200)	(6,612)
Effective portion of changes in fair value of cash flow hedges		4,463	10,442
Net change in fair value of cash flow hedges reclassified to income statement		(10,541)	(12,337)
Tax on items that may be reclassified subsequently to income statement		2,150	2,026
Total items that may be reclassified subsequently to income statement		5,878	46,137
Other comprehensive income for the period, net of income tax		8,432	44,182
Total comprehensive income for the period		392,251	605,772
Attributable to:			
Equity holders of the parent entity		391,195	604,598
Non-controlling interest		1,056	1,174
Total comprehensive income for the period		392,251	605,772

The Consolidated Statement of Comprehensive Income is to be read in conjunction with the notes to the financial statements.

Consolidated Balance Sheet

AS AT YEAR ENDED 31 DECEMBER 2019

Thousands of dollars	Note	2019	2018
Current assets			
Cash and cash equivalents		35,015	6,142
Receivables	C1	1,479,240	1,184,025
Inventories	C2	2,109,505	1,616,125
Other		34,234	65,293
Total current assets		3,657,994	2,871,585
Non-current assets			
Receivables	C1	8,709	8,081
Investments accounted for using the equity method	F3	154,902	147,442
Intangibles	C3	573,199	554,219
Property, plant and equipment	C4	3,702,452	2,889,863
Deferred tax assets	E2	177,758	184,160
Employee benefits	C7	3,988	1,721
Other		68,038	70,552
Total non-current assets		4,689,046	3,856,038
Total assets		8,347,040	6,727,623
Current liabilities			
Payables	C5	2,732,577	1,827,169
Interest-bearing liabilities	D1	221,460	150,421
Current tax liabilities		118,755	65,708
Employee benefits	C7	50,507	85,639
Provisions	C6	88,716	65,257
Total current liabilities		3,212,015	2,194,194
Non-current liabilities			
Payables	C5	21,325	41,686
Interest-bearing liabilities	D1	1,559,264	810,914
Employee benefits	C7	40,493	39,667
Provisions	C6	243,420	252,098
Total non-current liabilities		1,864,502	1,144,365
Total liabilities		5,076,517	3,338,559
Net assets		3,270,523	3,389,064
Equity			
Issued capital	D6	502,626	524,944
Treasury stock		(1,968)	(2,462)
Reserves		19,331	11,168
Retained earnings		2,737,021	2,842,357
Total parent entity interest		3,257,010	3,376,007
Non-controlling interest		13,513	13,057
Total equity		3,270,523	3,389,064

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 2019

Thousands of dollars	Issued capital	Treasury stock	Foreign currency translation reserve	Hedging reserve	Equity compen-sation reserve	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 January 2019	524,944	(2,462)	33,094	(1,065)	(20,861)	2,842,357	3,376,007	13,057	3,389,064
Adjustment – Adoption of AASB 16(i)	–	–	–	–	–	(13,814)	(13,814)	–	(13,814)
Restated balance at 1 January 2019	524,944	(2,462)	33,094	(1,065)	(20,861)	2,828,543	3,362,193	13,057	3,375,250
Total comprehensive income for the year									
Profit for the year	–	–	–	–	–	382,763	382,763	1,056	383,819
Total other comprehensive income	–	–	9,806	(3,928)	–	2,554	8,432	–	8,432
Total comprehensive income for the year	–	–	9,806	(3,928)	–	385,317	391,195	1,056	392,251
Own shares acquired net of tax	–	(4,293)	–	–	1,288	–	(3,005)	–	(3,005)
Shares vested to employees	–	4,787	–	–	(4,787)	–	–	–	–
Expense on equity settled transactions	–	–	–	–	5,784	–	5,784	–	5,784
Shares bought back(ii)	(22,318)	–	–	–	–	(237,839)	(260,157)	–	(260,157)
Dividends to shareholders	–	–	–	–	–	(239,000)	(239,000)	(600)	(239,600)
Balance at 31 December 2019	502,626	(1,968)	42,900	(4,993)	(18,576)	2,737,021	3,257,010	13,513	3,270,523
Balance at 1 January 2018	524,944	(1,210)	(12,912)	(1,196)	(25,403)	2,610,195	3,094,418	13,483	3,107,901
Adjustment – Adoption of AASB 15	–	–	–	–	–	(18,542)	(18,542)	–	(18,542)
Restated balance at 1 January 2018	524,944	(1,210)	(12,912)	(1,196)	(25,403)	2,591,653	3,075,876	13,483	3,089,359
Total comprehensive income for the year									
Profit for the year	–	–	–	–	–	560,416	560,416	1,174	561,590
Total other comprehensive income	–	–	46,006	131	–	(1,955)	44,182	–	44,182
Total comprehensive income for the year	–	–	46,006	131	–	558,461	604,598	1,174	605,772
Own shares acquired net of tax	–	(1,586)	–	–	476	–	(1,110)	–	(1,110)
Shares vested to employees	–	334	–	–	(334)	–	–	–	–
Expense on equity settled transactions	–	–	–	–	4,400	–	4,400	–	4,400
Dividends to shareholders	–	–	–	–	–	(307,757)	(307,757)	(1,600)	(309,357)
Balance at 31 December 2018	524,944	(2,462)	33,094	(1,065)	(20,861)	2,842,357	3,376,007	13,057	3,389,064

(i) Refer to Note A4 for further information.
(ii) 11,103,572 shares were bought back during the year ended 31 December 2019.

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 2019

Thousands of dollars	Note	2019	2018
Cash flows from operating activities			
Receipts from customers		30,419,330	29,832,846
Payments to suppliers, employees and governments		(29,385,609)	(28,949,935)
Shares acquired for vesting employee benefits		(4,293)	(1,586)
Dividends and disbursements received		450	400
Interest received		1,341	2,622
Interest and other finance costs paid		(113,130)	(52,000)
Income taxes paid		(73,830)	(235,843)
Net operating cash inflows	G5.2	844,259	596,504
Cash flows from investing activities			
Purchase of investment in associate		–	(115,353)
Purchase of businesses, net of cash acquired		–	(1,174)
Purchases of property, plant and equipment		(184,259)	(253,954)
Major cyclical maintenance		(48,011)	(38,516)
Purchases of intangibles		(48,421)	(60,350)
Proceeds from sale of property, plant and equipment, net of selling costs		141,744	43,774
Net investing cash outflows		(138,947)	(425,573)
Cash flows from financing activities			
Proceeds from borrowings		10,486,353	7,465,193
Repayments of borrowings		(10,556,076)	(7,378,557)
Repayment of lease principal		(109,540)	(212)
Payments for shares bought back		(260,157)	-
Dividends paid to non-controlling interest		(600)	(1,600)
Dividends paid	B5	(239,000)	(307,757)
Net financing cash outflows		(679,020)	(222,933)
Net increase/(decrease) in cash and cash equivalents		26,292	(52,002)
Effect of exchange rate changes on cash and cash equivalents		2,581	13,623
Increase/(decrease) in cash and cash equivalents		28,873	(38,379)
Cash and cash equivalents at the beginning of the period		6,142	44,521
Cash and cash equivalents at the end of the period	G5.1	35,015	6,142

The Consolidated Cash Flow Statement is to be read in conjunction with the notes to the financial statements.

Notes to the Financial Statements
A Overview
FOR THE YEAR ENDED 31 DECEMBER 2019

A1 Reporting entity

Caltex Australia Limited (Caltex or the Company) is a company limited by shares, incorporated and domiciled in Australia. The shares of Caltex are publicly traded on the Australian Securities Exchange. The consolidated financial statements for the year ended 31 December 2019 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.

A2 Basis of preparation

The consolidated financial statements were approved by the Caltex Board on 25 February 2020.

The financial report has been prepared as a general purpose financial report and complies with the requirements of the Corporations Act 2001 (Cth) (Corporations Act) and Australian Accounting Standards (AASBs). The consolidated financial report also 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 derivative financial instruments, which are measured at fair value, and the defined benefit liability, which is recognised as the net total of the plan assets, plus unrecognised past service costs 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 Corporations Instrument 2016/191 dated 24 March 2016. In accordance with that Instrument, amounts in the consolidated financial report and Directors' Report have been rounded to the nearest thousand dollars, unless otherwise stated.

The Group has adopted all the mandatory amended Accounting Standards issued that are relevant to its operations and effective for the current reporting period. A number of new standards, amendments to standards and interpretations effective for annual periods beginning on or after 1 January 2020 have not been applied in preparing these consolidated financial statements. Refer to Note G8.

This is the first set of the Group's financial statements where AASB 16 Leases has been applied (refer to section A4 for further discussion).

A3 Use of judgement and estimates

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, except as noted in section A4.

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 future financial years are found in the following notes:

- Information about the assumptions and the risk factors relating to impairment is described in notes C1 (Receivables), C3 (Intangibles) and C4 (Property, Plant and Equipment).
- Note C4 (Property, Plant and Equipment) includes disclosure of the key assumptions and sources of estimates related to lease liabilities.
- Note C6 provides key sources of estimation, uncertainty and assumptions used in regard to estimation of provisions.
- Note D2 provides an explanation of the foreign exchange, interest rate, credit risk and commodity price exposures of the Group and the risk in relation to foreign exchange, interest rate, credit risk and commodity price movements.
- Note E1 provides information around the extent to which earnings from the Group's Singaporean entities may be subject to income tax in Australia.

A4 Changes in significant accounting policies

AASB 16 Leases

The Group initially adopted AASB 16 Leases from 1 January 2019. AASB 16 introduced a single, on-balance sheet accounting model for lessees.

As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

The Group has applied AASB 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated.

The details of the changes in accounting policies are disclosed in Note C4.1.

A4 Changes in significant accounting policies continued

AASB 16 Leases continued

At transition, for leases classified as operating leases under AASB 117, the Group has elected to apply practical expedients in AASB 16 C10:

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Reliance on the assessment of whether leases were onerous immediately before the date of the initial application as an alternative to performing an impairment review.
- Not to recognise right-of-use assets and lease liabilities for leases for which the lease term ends within 12 months of the date of initial application.
- Exclude initial direct costs in measuring right-of-use assets at the date of initial application.
- The use of hindsight, in determining the lease term, if the contract contains options to extend or terminate the lease.

The Group has applied the short-term lease exemption to property, motor vehicles and IT equipment and the low-value asset exemption to IT equipment. The lease payments associated with these leases is recognised as an expense on a straight-line basis over the lease term.

Lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets were measured at either:

- their carrying amount as if AASB 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application – the Group applied this approach to its largest leases where a full history of lease payment data was maintained in corporate records; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payment – the Group applied this approach to all other leases.

The Group presents right-of-use assets in "Property, plant and equipment". The Group presents lease liabilities in "Interest-bearing liabilities" in the balance sheet.

The Group was not required to make any adjustments on transition to AASB 16 for leases in which it acts as a lessor. The impact of sub-lease contracts on transition to AASB 16 was not material to the Group.

Impacts on financial statements

Impacts on transition

On transition to AASB 16, the Group recognised additional right-of-use assets and additional lease liabilities, recognising the difference in retained earnings. The impact on transition is summarised below:

Thousands of dollars	1 January 2019
Right-of-use assets presented in property, plant and equipment	893,783
Prepayments – incorporated into right-of-use assets	(17,079)
Deferred tax asset	6,192
Lease liabilities	(910,040)
Payables – incorporated into right-of-use assets	13,330
Retained earnings	13,814

On transition, lease terms ranged from one to 35 years. The weighted average incremental borrowing rate applied was 5.8%.

Thousands of dollars	1 January 2019
Operating lease commitment at 31 December 2018 as disclosed in the Group's consolidated financial statements	1,210,162
Discounted using the incremental borrowing rate at 1 January 2019	909,796
Recognition exemption for leases of low-value assets	(2,515)
Recognition exemption for leases with less than 12 months of lease term at transition	(11,851)
Other	(25,215)
Extension options reasonably certain to be exercised	39,825
Lease liabilities recognised at 1 January 2019	910,040

The impact of the application of AASB 16 on the 31 December 2019 results are further described in Note C4.1.

This section highlights the performance of the Group for the year, including revenue and other income, costs and expenses, results by operating segment, earnings per share and dividends.

Notes to the Financial Statements
B Results for the year
FOR THE YEAR ENDED 31 DECEMBER 2019

B1 Revenue and other income

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 product duties and taxes, 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 customers gain control, which is the date products are delivered to the customer.

Contracts entered into by the Group for the sale of petroleum are typically priced by reference to quoted prices. In line with market practice, certain of these contracts are based on average prices over a period that is partially or entirely after delivery. Revenue relating to such contracts is recognised initially based on the estimated forward price at the time of delivery and subsequently adjusted as prices are finalised. Whilst these post-delivery adjustments are changed in the value of receivables, the distinction between revenue recognised at the time of delivery and revenue recognised as a result of post-delivery changes in quoted commodity prices relating to the same transaction is not considered to be significant. All revenue from these contracts, both that recognised at the time of delivery and that from post-delivery price adjustments, is disclosed as revenue from sale of goods.

For contracts with variable considerations (i.e. changes in market price, quality and quantity variances), revenue is recognised to the extent that it is highly probable that a reversal of previously recognised revenue will not occur.

Contract assets

On 5 July 2018, Caltex entered into a new supply agreement for 15 years with a one-off upfront payment of $50 million. This amount has been deferred and recognised against sale of goods over the life of the agreement. The closing balance as at 31 December 2019 in relation to this contract asset is $45 million (2018: $49 million).

Other revenue

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 deferred and recognised in accordance with the substance of the agreement.

Royalties are recognised in line with franchise agreements.

Transaction and merchant fees are generated from Starcard and credit card transactions processed across the network.

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

Other income

Net profit on disposal of property, plant and equipment

The profit on disposal of property, plant and equipment is brought to account at the time that:

- the costs incurred or to be incurred in respect of the sale can be measured reliably; and
- the control of ownership of the property, plant and equipment has 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.

Thousands of dollars	2019	2018
Revenue		
Sale of goods	22,059,851	21,467,991
Other revenue		
Rental income	29,944	42,191
Royalties and franchise income	65,648	74,146
Transaction and merchant fees	103,978	109,297
Other	47,658	37,717
Total other revenue	247,228	263,351
Total revenue	22,307,079	21,731,342
Other income		
Net gain on sale of property, plant and equipment	44,728	12,555

B2 Costs and expenses

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 borrowings are not specific to an asset, finance costs are capitalised using an average rate based on the general borrowings of the Group.

Thousands of dollars	Note	2019	2018
Finance costs			
Interest expense		53,662	52,753
Finance charges on leases[(i)]		58,603	27
Unwinding of discount on provisions		8,822	(621)
Less: capitalised finance costs		(92)	(287)
Finance costs		120,995	51,872
Finance income		(1,239)	(2,670)
Net finance costs		119,756	49,202
Depreciation and amortisation			
Depreciation of:			
Buildings	C4	16,039	15,444
Leasehold property	C4	133,647	14,218
Plant and equipment	C4	210,590	194,314
		360,276	223,976
Amortisation of:			
Intangibles	C3	27,082	31,439
Total depreciation and amortisation		387,358	255,415
Personnel expenses		527,098	487,426

(i) Refer to Note C4.1.

Notes to the Financial Statements
B Results for the year continued
FOR THE YEAR ENDED 31 DECEMBER 2019

B3 Segment reporting
B3.1 Segment disclosures
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.

Income taxes and net financial costs 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. This measurement base excludes the impact of the rise or fall in oil or product prices (key external factors) and presents 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 of sales operating profit excluding significant items, interest and income tax is also used to assess the performance of each business unit against internal performance measures.

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 product prices, 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.

Types of products and services
The following summary describes the operations in each of the Group's reportable segments:

Convenience Retail
The Convenience Retail segment includes revenues and costs associated with Fuels and Shop offerings at Caltex's network of stores, including royalties and franchise fees on remaining franchise stores.

Fuels & Infrastructure
The Fuels and Infrastructure segment includes revenues and costs associated with the integrated wholesale fuels and lubricants supply for Caltex, including the Company's international businesses. This includes Lytton refinery, Supply, including Ampol Trading and Shipping, B2B sales, Infrastructure, and the Gull and SEAOIL businesses.

Transfer price between segments
The Group operates as a vertically integrated refiner-marketer of fuel products in Australia. Segment results are based on a transfer price between Refining and Marketing determined by reference to relevant import parity prices for petrol, diesel and jet, and other products including specialities and lubricants.

B3 Segment reporting continued

B3.2 Information about reportable segments

	Convenience Retail		Fuels & Infrastructure		Total operating segments	
Thousands of dollars	2019	2018	2019	2018	2019	2018
External segment revenue	5,201,049	4,967,625	17,106,030	16,763,717	22,307,079	21,731,342
Inter-segment revenue	–	–	3,610,994	3,695,162	3,610,994	3,695,162
Total segment revenue	5,201,049	4,967,625	20,717,024	20,458,879	25,918,073	25,426,504
Share of profit of associates and joint ventures	–	–	4,231	10,133	4,231	10,133
Depreciation and amortisation	(194,285)	(97,134)	(176,978)	(150,576)	(371,263)	(247,710)
Replacement Cost of sales Operating Profit (RCOP) before interest and income tax(i)	201,043	307,319	450,152	569,954	651,195	877,273
Other material items: Inventory gains/(loss)	–	–	(19,296)	20,293	(19,296)	20,293
Capital expenditure(ii)	(100,691)	(194,090)	(155,182)	(248,589)	(255,873)	(442,679)

B3.3 Reconciliation of reportable segment revenues, profit or loss and other material items

Thousands of dollars	2019	2018
Revenues		
Total revenue for reportable segments	25,918,073	25,426,504
Elimination of inter-segment revenue	(3,610,994)	(3,695,162)
Consolidated revenue	22,307,079	21,731,342
Profit or loss		
Segment RCOP(i) before interest and income tax, excluding significant items	651,195	877,273
Other expenses	(44,176)	(51,347)
RCOP before interest and income tax, excluding significant items	607,019	825,926
Significant items excluded from profit or loss reported to the chief operating decision maker:		
Gain on sale of Higher Better Use sites	52,709	–
Loss on exit from Kitchen Food Company	–	(27,291)
Partial writeback of Franchisee Employee Assistance Fund	–	10,000
RCOP before interest and income tax	659,728	808,635
Inventory gains/(loss)	(19,296)	20,293
Consolidated historical cost profit before interest and income tax	640,432	828,928
Net financing costs	(119,756)	(49,202)
Net profit attributable to non-controlling interest	1,056	1,174
Consolidated profit before income tax	521,732	780,900

(i) Replacement Cost of sales Operating Profit (RCOP) (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 (losses)/gains as management believes this presents a clearer picture of the Group's underlying business performance as it is consistent with the basis of reporting commonly used within the global downstream oil industry. This is un-audited. RCOP excludes the unintended impact of the fall or rise in oil and product prices (key external factors). 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.

(ii) Capital expenditure includes the purchase of Property, Plant and Equipment (including acquisitions) and purchase of intangible software (excludes intangible rights and licences).

Notes to the Financial Statements
B Results for the year continued
FOR THE YEAR ENDED 31 DECEMBER 2019

B3 Segment reporting continued

B3.3 Reconciliation of reportable segment revenues, profit or loss and other material items continued

Other material items

Thousands of dollars	Reportable segment totals	Other	Consolidated totals
Other material items 2019			
Depreciation and amortisation	(371,263)	(16,095)	(387,358)
Inventory loss	(19,296)	–	(19,296)
Capital expenditure	(255,873)	(14,273)	(270,146)
Other material items 2018			
Depreciation and amortisation	(247,710)	(7,705)	(255,415)
Inventory gains	20,293	–	20,293
Capital expenditure	(442,966)	(26,668)	(469,634)

B3.4 Geographical segments

The Group operates in Australia, New Zealand and Singapore. External revenue is predominantly generated in Australia and the Group's non-financial non-current assets are predominantly located in the Group's country of domicile, Australia. The Gull New Zealand Group in 2019 generated A$623,203,000 revenue (2018: A$559,143,000) and holds A$397,861,000 of non-current assets (2018: A$335,292,000) in New Zealand. In 2019, the Group generated A$2,750,710,000 external revenue in Singapore (2018: A$1,877,480,000).

B3.5 Major customer

Revenues from one customer of the Group's Fuels and Infrastructure segment represent approximately $4.3 billion (2018: $3.7 billion) of the Group's total gross sales revenue (excluding product duties and taxes).

B3.6 Revenue from products and services

Thousands of dollars	2019	2018
Petrol	7,226,325	7,082,125
Diesel	10,246,079	10,064,001
Jet	2,688,810	2,613,749
Lubricants	229,177	240,486
Specialty and other products	221,684	222,258
Crude	562,945	674,993
Non-fuel income	884,831	570,379
Other revenue(i)	247,228	263,351
	22,307,079	21,731,342

(i) Other revenue includes rental, royalties and franchise and transaction and merchant fees.

B4 Earnings per share

Cents per share	2019	2018
Historical cost net profit attributable to ordinary shareholders – basic	151.3	214.9
Historical cost net profit attributable to ordinary shareholders – diluted	151.1	214.9
RCOP after tax and excluding significant items – basic	135.9	214.1
RCOP after tax and excluding significant items – diluted	135.7	214.1

Calculation of earnings per share

Basic historical earnings per share is calculated as the net profit attributable to ordinary shareholders of the parent entity divided by the weighted average number of ordinary shares outstanding during the year ended 31 December 2019.

Diluted historical cost earnings per share is calculated as the net profit attributable to ordinary shareholders of the parent entity divided by the weighted average number of ordinary shares which has been adjusted to reflect the number of shares that would be issued if all outstanding rights and restricted shares were exercised.

Earnings per share has been disclosed for both the historical cost net profit as well as the RCOP segment method of reporting net profit. RCOP segment method, adjusts statutory profit for significant items and inventory gains and losses. A reconciliation between historical cost net profit attributable to ordinary shareholders of the parent entity and RCOP after tax and excluding significant items is included below:

Thousands of dollars	2019	2018
Net profit after tax attributable to equity holders of the parent entity	382,763	560,416
Add/Less: Significant items (gains)/losses after tax	(52,516)	12,104
Add/Less: Inventory (gains)/losses after tax	13,507	(14,206)
RCOP excluding significant items after tax	343,754	558,314

Weighted average number of shares (thousands)	2019	2018
Issued shares as at 1 January	260,811	260,811
Shares bought back and cancelled (refer to Note D6)	(11,104)	-
Issued shares as at 31 December	249,707	260,811
Weighted average number of shares as at 31 December - basic	253,001	260,811
Weighted average number of shares as at 31 December - diluted	253,398	260,811

Notes to the Financial Statements
B Results for the year continued
FOR THE YEAR ENDED 31 DECEMBER 2019

B5 Dividends
A provision for dividends payable is recognised in the reporting period in which the dividends are declared, for the entire undistributed amount.

B5.1 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
2019				
Interim 2019	4 October 2019	Franked	32	79,906
Final 2018	5 April 2019	Franked	61	159,094
Total amount			93	239,000
2018				
Interim 2018	11 September 2018	Franked	57	148,663
Final 2017	6 April 2018	Franked	61	159,094
Total amount			118	307,757

Subsequent events
Since 31 December 2019, 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 2019.

Final 2019	**3 April 2020**	**Franked**	**51**	**127,351**

B5.2 Dividend franking account

Thousands of dollars	2019	2018
30% franking credits available to shareholders of Caltex Australia Limited for subsequent financial years	**825,456**	1,007,281

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 $54,579,000 (2018: $68,183,000).

Notes to the Financial Statements
C Operating assets and liabilities
FOR THE YEAR ENDED 31 DECEMBER 2019

This section provides information on the assets used to generate the Group's trading performance and the liabilities incurred as a result.

C1 Receivables
The following balances are amounts due from the Group's customers and others.

Thousands of dollars	2019	2018
Current		
Trade debtors	821,117	755,758
Accrued receivables	433,163	167,710
Allowance for impairment	(6,367)	(7,044)
	1,247,913	916,424
Associated and joint venture entities	33,446	98,648
Derivative assets	10,953	65,073
Other debtors	186,928	103,880
	1,479,240	1,184,025
Non-current		
Other loans	8,709	8,081

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 based on a risk matrix for expected credit losses across customer categories.

Notes to the Financial Statements
C Operating assets and liabilities continued
FOR THE YEAR ENDED 31 DECEMBER 2019

C1 Receivables continued
Impaired receivables

As at 31 December 2019, current trade receivables of the Group with a nominal value of $6,367,000 (2018: $7,044,000) were provided for as impaired based on the expected credit loss model. No collateral is held over these impaired receivables.

As at 31 December 2019, trade receivables of $37,060,000 (2018: $44,755,000) were overdue. The ageing analysis of receivables is as follows:

Thousands of dollars	2019	2018
Past due 0 to 30 days	26,673	34,513
Past due 31 to 60 days	4,693	5,147
Past due greater than 60 days	5,694	5,095
	37,060	44,755

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

Thousands of dollars	2019	2018
At 1 January	7,044	6,255
Provision for impairment recognised during the year	3,640	2,874
Receivables written off during the year as uncollectible	(4,317)	(2,085)
At 31 December	6,367	7,044

The creation and release of the provision for impaired receivables has been included in general and administration expenses in the income statement. Amounts charged to the allowance account are 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.

C2 Inventories

Thousands of dollars	2019	2018
Crude oil and raw materials	409,872	325,494
Inventory in process	72,456	49,503
Finished goods	1,605,370	1,221,713
Materials and supplies	21,807	19,415
At 31 December	2,109,505	1,616,125

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 their 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. There was no inventory written down to net realisable value at 31 December 2019 and 31 December 2018.

C3 Intangibles

Thousands of dollars	Goodwill	Rights and licences	Software	Total
Cost				
At 1 January 2019	**426,894**	**77,092**	**217,733**	**721,719**
Additions and transfers	**–**	**10,453**	**37,968**	**48,421**
Disposals	**(3,703)**	**–**	**(975)**	**(4,678)**
Foreign currency translation	**1,944**	**–**	**71**	**2,015**
Balance at 31 December 2019	**425,135**	**87,545**	**254,797**	**767,477**
Cost				
At 1 January 2018	415,748	67,637	184,923	668,308
Acquisitions through business combinations	912	–	–	912
Additions and transfers	–	9,455	52,069	61,524
Disposals	–	–	(20,003)	(20,003)
Foreign currency translation	10,234	–	744	10,978
Balance at 31 December 2018	426,894	77,092	217,733	721,719
Amortisation and impairment				
At 1 January 2019	**(19,458)**	**(36,648)**	**(111,394)**	**(167,500)**
Amortisation for the year	**–**	**(3,761)**	**(23,321)**	**(27,082)**
Impairment	**–**	**–**	**–**	**–**
Disposals	**–**	**–**	**333**	**333**
Foreign currency translation	**–**	**–**	**(29)**	**(29)**
Balance at 31 December 2019	**(19,458)**	**(40,409)**	**(134,411)**	**(194,278)**
Amortisation and impairment				
At 1 January 2018	(16,391)	(24,535)	(110,516)	(151,442)
Amortisation for the year	–	(12,113)	(19,326)	(31,439)
Impairment	(3,067)	–	–	(3,067)
Disposal	–	–	18,783	18,783
Foreign currency translation	–	–	(335)	(335)
Balance at 31 December 2018	(19,458)	(36,648)	(111,394)	(167,500)

Notes to the Financial Statements
C Operating assets and liabilities continued
FOR THE YEAR ENDED 31 DECEMBER 2019

C3 Intangibles continued

Thousands of dollars	Goodwill	Rights and licences	Software	Total
Carrying amount				
At 1 January 2019	407,436	40,444	106,339	554,219
Balance at 31 December 2019	405,677	47,136	120,386	573,199
Carrying amount				
At 1 January 2018	399,357	43,102	74,407	516,866
Balance at 31 December 2018	407,436	40,444	106,339	554,219

The amortisation charge of $27,082,000 (2018: $31,439,000) is recognised in selling and distribution expenses and general and administration expenses in the income statement.

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. In respect of equity-accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment in the associate.

Other intangible assets
Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses.

Amortisation
Amortisation is charged to the consolidated income statement on a straight-line basis over the estimated useful lives of intangible assets. 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	7 to 17%
Software not integrated with hardware	7 to 18%
Rights and licences	4 to 33%

Impairment
The carrying amounts of intangible assets are reviewed to determine if there is any indication of impairment. If any such indication exists, the cash-generating unit's recoverable amounts are estimated and, if required, an impairment is recognised in the income statement.

Impairment tests for cash-generating units containing goodwill and indefinite life intangibles
Goodwill and indefinite life intangibles have been allocated to the group of cash-generating units as follows:

Total goodwill and indefinite life intangibles

Thousands of dollars	Gull New Zealand	Fuels and Infrastructure	Convenience Retail	Total
Goodwill	224,672	68,272	112,733	405,677
Indefinite life intangibles	20,675	779	–	21,454
Balance at 31 December 2019	245,347	69,051	112,733	427,131

The recoverable amount of the group of cash-generating units including goodwill and indefinite life intangibles has been determined based on a value in use calculation. There were no goodwill impairment losses recognised during the year ended 31 December 2019 (2018: nil).

C3 Intangibles continued

Impairment tests for cash-generating units containing goodwill and indefinite life intangibles continued

Key assumptions used in value in use calculations

Key assumption	Basis for determining value in use assigned to key assumption
Cash flow	Estimated future cash flows are based on the Group's most recent Board-approved business plan covering a five-year plan period from 2020 to 2024. Cash flows beyond the approved business plan period in 2024 are extrapolated using estimated long-term growth rates.
Estimated long-term average growth rate	The cash flows have been extrapolated using a constant growth rate of: Australia and New Zealand 2.5% and Philippines 6.5%. The growth rates used do not exceed the long-term growth rate for the industry.
Discount rate	Pre-tax discount rates used vary depending on the nature of the business and the country of operation. The cash flows have been discounted using pre-tax discount rates of 9.72% – 18.56% p.a.

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) including the potential impact of climate change. 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.

In assessing the carrying value of intangibles, management considers long-term assumptions relating to key external factors including Singapore refiner margins, foreign exchange rates and crude oil prices. Any changes in these assumptions can have a material impact on the carrying value.

C4 Property, plant and equipment

Thousands of dollars	2019	2018
Freehold land		
At cost	458,783	465,454
Accumulated impairment losses	(37,284)	(37,284)
Net carrying amount	421,499	428,170
Buildings		
At cost	780,671	785,740
Accumulated depreciation and impairment losses	(287,923)	(276,714)
Net carrying amount	492,748	509,026
Leasehold property		
At cost	1,223,783	240,406
Accumulated depreciation	(250,311)	(123,839)
Net carrying amount	973,472	116,567
Plant and equipment		
At cost	5,942,162	5,863,522
Accumulated depreciation and impairment losses	(4,402,965)	(4,301,860)
Net carrying amount	1,539,197	1,561,662
Capital projects in progress		
At cost	275,536	274,438
Net carrying amount	275,536	274,438
Total net carrying amount	3,702,452	2,889,863

Notes to the Financial Statements
C Operating assets and liabilities continued
FOR THE YEAR ENDED 31 DECEMBER 2019

C4 Property, plant and equipment continued

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 C6. Assessment of impairment is evaluated as set out below.

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.

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% to 10%
Plant and equipment	3% to 25%
Leased plant and equipment	3% to 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.

Impairment

The carrying amounts of assets are reviewed to determine if there is any indication of impairment. If any such indication exists, these assets' recoverable amounts are estimated and, if required, an impairment is recognised in the income statement. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

In assessing the carrying value of property, plant and equipment, management considers long-term assumptions relating to key external factors including Singapore refiner margins, foreign exchange rates and crude oil prices. Any changes in these assumptions can have a material impact on the carrying value.

C4 Property, plant and equipment continued

Thousands of dollars	2019	2018
Freehold land		
Carrying amount at the beginning of the year	428,170	403,005
Additions	8,621	31,505
Disposals	(15,792)	(7,023)
Transfers from capital projects in progress	500	-
Foreign currency translation	-	683
Carrying amount at the end of the year	**421,499**	**428,170**
Buildings		
Carrying amount at the beginning of the year	509,026	432,500
Additions	26	933
Disposals	(23,198)	(4,121)
Transfers from capital projects in progress	22,931	95,147
Depreciation	(16,039)	(15,444)
Foreign currency translation	2	11
Carrying amount at the end of the year	**492,748**	**509,026**
Leasehold property		
Carrying amount at the beginning of the year	116,567	99,492
Recognition of right-of-use asset on initial application of AASB 16	881,866	-
Adjusted balance at 1 January 2019	998,433	99,492
Additions(i)	93,671	8,355
Disposals	(556)	(2,154)
Transfers from capital projects in progress	15,571	23,227
Depreciation	(133,647)	(14,218)
Foreign currency translation	-	1,865
Carrying amount at the end of the year	**973,472**	**116,567**
Plant and equipment		
Carrying amount at the beginning of the year	1,561,662	1,473,458
Recognition of right-of-use asset on initial application of AASB 16	11,917	-
Adjusted balance at 1 January 2019	1,573,579	1,473,458
Additions(i)	26,151	26,400
Disposals	(28,543)	(27,102)
Transfers from capital projects in progress	178,947	281,384
Depreciation	(210,590)	(194,314)
Foreign currency translation	(347)	1,836
Carrying amount at the end of the year	**1,539,197**	**1,561,662**
Capital projects in progress		
Carrying amount at the beginning of the year	274,438	409,898
Additions	195,223	225,277
Borrowing costs capitalised	(92)	287
Transfers to buildings, leased property, plant and equipment	(217,949)	(399,758)
Reclassification	23,916	38,734
Carrying amount at the end of the year	**275,536**	**274,438**

(i) Includes the impact of new leases, modifications and remeasurements of leases during the period.

Notes to the Financial Statements
C Operating assets and liabilities continued
FOR THE YEAR ENDED 31 DECEMBER 2019

C4 Property, plant and equipment continued
C4.1 Leased assets
Definition of a lease
At the inception of a contract, the Group assesses whether a contract is, or contains, a lease based on whether it conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

At inception or on reassessment of a contract that contains a lease and non-lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. Non-lease components are items that are not related to securing the use of the underlying asset.

The Group as a lessee
The Group leases many assets including and predominantly related to property leases for service stations, terminals, pipelines and wharves.

2019 Lease Policy under AASB 16
The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost. The cost is comprised of:

- the amount of the initial measurement of the lease liability;
- lease payments made at or before commencement, less lease incentive (if any);
- initial direct costs incurred, including legal fees, agency fees or other fees in relation to negotiation or arrangement of the lease and
- estimated costs to be incurred in restoring the asset as required by the terms and conditions of the lease.

The right-of-use asset is subsequently measured at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

The right-of-use assets are depreciated to the earlier of the end of the useful life of the underlying asset or the lease term using the straight-line method. Right-of-use asset depreciation expense is included in the "Selling and distribution expenses" and "General and administration expenses" in the income statement based on the function of associated activities.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Group's incremental borrowing rate. The Group determines its incremental borrowing rate with reference to external market data, making certain adjustments to reflect the terms of the lease and the type of assets leased. Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, less any lease incentive receivable.
- The exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease term is determined to be the non-cancellable period of the lease, considering the broader economics of the contract including economic penalties associated with exiting the lease and the useful life of the leasehold improvements on the relevant site.

The lease liability is subsequently increased by the interest cost on the lease liability (recognised in "Finance costs" in the income statement) and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including motor vehicles and IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

2018 Operating Lease Policy under AASB 117
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.

C4 Property, plant and equipment continued

C4.1 Leased assets continued

Right-of-use assets

Right-of-use assets are presented as property, plant and equipment.

Thousands of dollars	Leasehold property	Plant and equipment	Total
Balance at 1 January 2019	**881,866**	**11,917**	**893,783**
Additions	91,338	84	91,422
Depreciation charge for the year	(121,058)	(4,277)	(125,335)
Balance at 31 December 2019	**852,146**	**7,724**	**859,870**

Amounts recognised in income statement

Thousands of dollars	2019
Leases under AASB 16	
Interest on lease liabilities	58,603
Expenses relating to short-term leases, leases of low-value assets and variable leases	52,947

Thousands of dollars	2018
Operating leases under AASB 117	
Operating lease expense	184,631
Contingent rent expense	681

Amounts recognised in the statement of cash flows

For the purposes of presentation in the cash flow statement, lease payments of principal ($109,540,000) are presented within the financing activities and interest ($58,603,000) within operating activities. Lease payments of short-term leases and leases of low-value assets ($52,947,000) are classified within operating activities.

In addition to the disclosure in the statement of cash flows, Note D2.5 provides a maturity analysis of lease liabilities.

Extension options

Some leases contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

Notes to the Financial Statements
C Operating assets and liabilities continued

FOR THE YEAR ENDED 31 DECEMBER 2019

C4 Property, plant and equipment continued

C4.1 Leased assets continued

Group as lessor

In contracts where the Group is a lessor, the Group determines whether the lease is an operating lease or finance lease at inception of the lease. The accounting policies applicable to the Group as a lessor are not different from those under AASB 117.

However, when the Group is an intermediate lessor, the sub-leases are classified with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. The impact of sub-leases on the financial statements is immaterial.

The Group leases consist of owned commercial properties. All leases of owned property are classified as operating leases from a lessor perspective. Rental income recognised by the Group during 2019 was $29,944,000.

The Group has granted operating leases expiring from one to 20 years. The following table sets out maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

Thousands of dollars	2019
Operating leases under AASB 16	
Within one year	**20,659**
Between one and five years	**60,026**
After five years	**10,207**
	90,892

Thousands of dollars	2018
Operating leases under AASB 117	
Within one year	32,933
Between one and five years	60,126
After five years	8,643
	101,702

C5 Payables

Thousands of dollars	2019	2018
Current		
Trade creditors – unsecured	**2,354,138**	1,456,442
Other creditors and accrued expenses	**335,429**	366,874
Derivative liabilities	**43,010**	3,853
	2,732,577	1,827,169
Non-current		
Other creditors and accrued expenses	**21,325**	41,686

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 on between 30-day and 60-day terms.

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

C6 Provisions

Thousands of dollars	Site remediation and dismantling	Other	Total
Balance at 1 January 2019	301,136	16,219	317,355
Provisions made during the year	66,920	14,098	81,018
Provisions used during the year	(42,913)	(9,789)	(52,702)
Provisions reversed during the year	(20,391)	(400)	(20,791)
Discounting movement	7,256	–	7,256
Balance at 31 December 2019	312,008	20,128	332,136
Current	68,588	20,128	88,716
Non-current	243,420	–	243,420
	312,008	20,128	332,136

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.

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.

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 financing cost.

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.

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 many years in the future. The carrying amounts of provisions are regularly reviewed and adjusted to take account of such changes.

Site remediation and dismantling

A large portion of the site remediation and dismantling balance relates to the environmental remediation obligation associated with the Kurnell oil refinery following its conversion to an import terminal. Following the completion of the Kurnell refinery processing plant demolition activities in 2019, the Group was able to obtain an updated environmental remediation cost estimate utilising a third-party expert. This resulted in a $20,391,000 reversal to the provision estimate.

The remaining balance comprises provisions where there are requirements to dismantle and remove assets from operational and divested sites, included leased assets, and remediate the impact of environmental contamination.

Costs for future dismantling and removal of assets, and restoration of the site on which 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.

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 deducted does not exceed the carrying amount of the asset. A deduction in excess of the carrying amount or an adjustment in circumstances where there is no such related asset 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.

Other

Other includes legal and other provisions.

Notes to the Financial Statements
C Operating assets and liabilities continued
FOR THE YEAR ENDED 31 DECEMBER 2019

C7 Employee benefits

Thousands of dollars	2019	2018
Non-current assets		
Defined benefit superannuation asset	3,988	1,721
Total asset for employee benefits	3,988	1,721
Current liabilities		
Liability for annual leave	35,691	33,357
Liability for long service leave	2,671	3,910
Liability for termination benefits	2,792	9,801
Bonus accrued	9,353	38,571
Total current liability for employee benefits	50,507	85,639
Non-current liabilities		
Liability for long service leave	38,650	36,433
Defined benefit superannuation obligation	1,843	3,234
Total non-current liability for employee benefits	40,493	39,667
Total net liability for employee benefits	87,012	123,585

Notes to the Financial Statements
D Capital, funding and risk management
FOR THE YEAR ENDED 31 DECEMBER 2019

This section focuses on the Group's capital structure and related financing costs. This section also describes how the Group manages the capital and the financial risks it is exposed to as a result of its operating and financing activities.

D1 Interest-bearing liabilities

Thousands of dollars	2019	2018
Current		
Bank facilities	**61,000**	150,257
Lease liabilities	**160,460**	164
	221,460	150,421
Non-current		
Bank facilities	**532,181**	510,339
Capital market borrowings	**309,808**	300,575
Lease liabilities	**717,275**	-
Non-current liabilities	**1,559,264**	810,914

Interest-bearing liabilities (excluding lease liabilities) are initially recorded at fair value, less transaction costs. Subsequently, interest-bearing liabilities are measured at amortised cost, using the effective interest method. Any difference between proceeds received net of transaction costs and the amount payable at maturity is recognised over the term of the borrowing using the effective interest method.

Refer Note C4.1 for accounting policies on lease liabilities.

Significant funding transactions

During 2019, the Group extended the tenor on $1,773,796,000 (AUD equivalent) of its existing bilateral bank facilities and upsized its bank facilities by $400,000,000.

D2 Risk management

The Group currently finances its operations through a variety of financial instruments including bank facilities, capital markets borrowings and leasing transactions. 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 Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and commodity price risk), as well as credit and liquidity risk.

Group Treasury centrally manages foreign exchange risk, interest rate risk, liquidity risk, financial institutional credit risk, funding and capital management. Risk management activities in respect to customer credit risk are carried out by the Group's Credit Risk department, and risk management activities in respect to commodity price risk are carried out by Ampol Singapore. The Group operates under policies approved by the Board of Directors. Group Treasury, Credit Risk and Ampol Singapore evaluate and monitor the financial risks in close co-operation with the Group's operating units.

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to reduce potential adverse effects on financial performance. The Group uses a range of derivative financial instruments to hedge market exposures.

The Group enters into derivative transactions; principally, interest rate swaps, foreign exchange contracts (forwards, swaps and options) and crude and finished product swap and futures contracts. The purpose is to manage the market risks arising from the Group's operations and its sources of finance.

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.

It is the Group's policy that no speculative trading with derivative instruments shall be undertaken.

The magnitude of each type of financial risk that has arisen over the year is discussed in notes D2.1 to D2.5 below.

Notes to the Financial Statements
D Capital, funding and risk management continued
FOR THE YEAR ENDED 31 DECEMBER 2019

D2 Risk management continued

Hedge accounting

There are three types of hedge accounting relationships that the Group utilises:

Type of hedge	Objective	Hedging instruments	Accounting treatment
Cash flow hedges	To hedge the Group's exposure to variability in cash flows of an asset, liability or forecast transaction caused by interest rate or foreign currency movements.	Foreign exchange contracts (forwards, swaps and options). Interest rate swap contracts (floating-to-fixed).	The effective portion of changes in fair value of these financial instruments is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated income statement. The cumulative gain or loss in equity is transferred to the consolidated income statement in the period when the hedged item affects profit or loss. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, the cumulative gain or loss existing in equity at the time remains in equity and is recognised when the forecast transaction ultimately affects profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated income statement.
Fair value hedges	To hedge the Group's exposure to changes to the fair value of an asset or liability arising from interest rate movements.	Interest rate swap contracts (fixed-to-floating).	Changes in the fair value of derivative financial instruments that are designated and qualify as fair value hedges are recorded in the consolidated income statement, together with any changes in the fair value of the hedged asset or liability or firm commitment attributable to the hedged risk.
Net investment hedges	To hedge the Group's exposure to exchange rate differences arising from the translation of our foreign operations from their functional currency to Australian dollars.	Foreign currency borrowings.	Foreign exchange differences arising from the translation of the net investment in foreign operations, and of related hedges that are effective, are recognised in other comprehensive income and presented in the foreign currency translation reserve within equity. They may be released to the consolidated income statement upon disposal of the foreign operation.

D2 Risk management continued

D2.1 Interest rate risk

Interest rate risk is the risk that fluctuations in interest rates adversely impact the Group's results. Borrowings issued at variable interest rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

Interest rate risk exposure

The Group's exposure to interest rate risk (after hedging) for classes of financial assets and liabilities is set out as follows:

Thousands of dollars	2019	2018
Financial assets		
Cash at bank and on hand	**35,015**	6,142
	35,015	6,142
Financial liabilities		
Variable rate borrowings		
Bank facilities	**323,180**	490,596
Fixed interest rate – repricing dates including lease liabilities:		
12 months or less	**160,460**	164
One to five years	**819,558**	320,000
Over five years	**477,525**	150,575
	1,780,723	961,335

Management of interest rate risk

The Group manages interest rate risk by using a floating versus fixed rate debt framework. The relative mix of fixed and floating interest rate funding is managed by using interest rate swap contracts. Maturities of swap contracts are principally between two and six years.

The Group manages its cash flow interest rate risk by entering into floating-to-fixed interest rate swap contracts. At 31 December 2019, the fixed rates under these swap contracts varied from 1.6% to 2.5% per annum, at a weighted average rate of 2.2% per annum (2018: 2.3% to 2.5% per annum, at a weighted average rate of 2.4% per annum).

The Group manages its fair value interest rate risk by using fixed-to-floating interest rate swap contracts.

The net fair value of interest rate swap contracts at 31 December 2019 was a $1,158,000 gain (2018: $550,000 loss).

Interest rate sensitivity analysis

At 31 December 2019, if interest rates had changed by -/+1% from the year-end rates, with all other variables held constant, the impact on post-tax profit for the year for the Group and equity would have been:

	2019		2018	
Thousands of dollars	Post-tax profit	Hedge reserve	Post-tax profit	Hedge reserve
Interest rates decrease by 1%	**3,800**	**(7,100)**	5,000	(8,000)
Interest rates increase by 1%	**(3,800)**	**6,900**	(5,000)	7,700

Notes to the Financial Statements
D Capital, funding and risk management continued
FOR THE YEAR ENDED 31 DECEMBER 2019

D2 Risk management continued
D2.2 Foreign exchange risk
Foreign exchange risk is the risk that fluctuations in exchange rates will adversely impact the Group's results.

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 at the dates the fair value was determined.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into Australian dollars at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into Australian dollars at the exchange rates at the date of the transactions. Foreign currency differences are recognised in the consolidated statement of comprehensive income and accumulated in the foreign currency translation reserve.

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

Foreign exchange risk exposure

	2019			
Thousands of dollars (Australian dollar equivalent amounts)	US dollar	NZ dollar	Australian dollar	Total
Bank facilities	–	(292,181)	(301,000)	(593,181)
Cash and cash equivalents	11,600	5,424	17,991	35,015
Trade receivables	171,505	4,838	1,311,519	1,487,862
Trade payables	(2,202,388)	(31,931)	(486,282)	(2,720,601)
Forward exchange contracts (forwards, swaps and options)	(6,012)	(185)	–	(6,197)
Crude and finished product swap and futures contracts	(27,018)	–	–	(27,018)

	2018			
Thousands of dollars (Australian dollar equivalent amounts)	US dollar	NZ dollar	Australian dollar	Total
Bank facilities	–	(280,596)	(380,000)	(660,596)
Cash and cash equivalents	(6,139)	6,437	5,844	6,142
Trade receivables	125,767	3,670	1,000,677	1,130,114
Trade payables	(1,352,972)	(46,558)	(469,101)	(1,868,631)
Forward exchange contracts (forwards, swaps and options)	5,762	25	–	5,787
Crude and finished product swap and futures contracts	55,983	–	–	55,983

Management of foreign exchange risk
In accordance with Group Treasury Policy, the Group's transactional and translational foreign currency exposures are managed as follows:

- Transactional foreign currency exposure – foreign exchange instruments (forwards, swaps and options) are used to economically hedge transactional foreign currency exposure.
- Translational foreign currency exposure – foreign currency borrowings are used to hedge the Group's exposure arising from the foreign currency translation risk from its net investment in foreign operations.

As at 31 December 2019, the total fair value of all outstanding foreign exchange contracts (forwards, swaps and options) amounted to a $6,197,000 loss (2018: $5,787,000 gain).

D2 Risk management continued

D2.2 Foreign exchange risk continued

Foreign exchange rate sensitivity analysis

At 31 December 2019, had the Australian dollar strengthened/weakened by 10% against the following currencies respectively, with all other variables held constant, the impact on post-tax profit for the year for the Group and equity would have been:

	2019		2018	
Thousands of dollars	Post-tax profit	Equity	Post-tax profit	Equity
AUD strengthens against US dollar 10%	11,900	–	7,800	–
AUD weakens against US dollar 10%	(14,600)	–	(9,600)	–
AUD strengthens against NZ dollar 10%	–	12,600	–	12,500
AUD weakens against NZ dollar 10%	–	(15,400)	–	(15,200)
AUD strengthens against Philippine Peso 10%	–	–	–	(12,300)
AUD weakens against Philippine Peso 10%	–	–	–	15,000

D2.3 Commodity price risk

Commodity price risk is the risk that fluctuations in commodity prices will adversely impact the Group's results. The Group is exposed to the effect of changes in commodity prices on its operations.

The Group utilises crude and finished product swap and futures contracts to manage the risk of price movements. The Enterprise Commodity Risk Management Policy seeks to minimise adverse price timing risks and basis exposures brought about by purchase and sales transactions.

In 2019 and 2018, Caltex's policy has been not to hedge refiner margins. As at 31 December 2019, the total fair value of all outstanding crude and finished product swap and futures contracts amounted to a $27,018,000 loss (2018: $55,983,000 gain).

Commodity price sensitivity analysis

At 31 December 2019, if commodity prices had changed by -/+10% from the year-end prices, with all other variables held constant, the impact on post-tax profit for the year for the Group and equity would have been:

	2019		2018	
Thousands of dollars	Post-tax profit	Hedge reserve	Post-tax profit	Hedge reserve
Commodity prices decrease 10%	39,000	–	32,400	–
Commodity prices increase 10%	(49,100)	–	(26,200)	–

D2.4 Credit risk

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 and other receivables, net of allowances for impairment (see Note C1).

The Group has a Board-approved Credit Policy and manual which provide the guidelines for the management and diversification of the credit risk to the Group. 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.

Expected customer credit losses are assessed on a portfolio basis between small business individuals and bulk fuel customers.

The Group also minimises concentrations of credit risk by undertaking transactions with a large number of customers across a variety of industries and networks.

Security is required to be supplied by certain groups of Caltex customers to minimise risk. The security could be in the form of a registered personal property security interest over the customer's business and mortgages over the business property. Bank guarantees, other contingent instruments or insurance bonds are also provided in some cases.

Notes to the Financial Statements
D Capital, funding and risk management continued
FOR THE YEAR ENDED 31 DECEMBER 2019

D2 Risk management continued
D2.4 Credit risk continued
Financial institution credit risk
Credit risk on cash, short-term deposits and derivative contracts is reduced by transacting with relationship banks which have acceptable credit ratings determined by a recognised ratings agency. Interest rate swaps, foreign exchange contracts (forwards, swaps and options), crude and finished product swap and futures contracts, bank guarantees and other contingent instruments are subject to credit risk in relation to the relevant counterparties, which are principally large relationship banks. The maximum credit risk exposure on foreign exchange contracts, crude and finished product swap and futures contracts, bank guarantees and other contingent instruments is the fair value amount that the Group receives when settlement occurs, should the counterparty fail to pay the amount which it is committed to pay the Group. The credit risk on interest rate swaps is limited to the positive mark to market amount to be received from counterparties over the life of contracts.

D2.5 Liquidity risk management
Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Due to the dynamic nature of the underlying business, the liquidity risk policy requires maintaining sufficient cash and an adequate amount of committed credit facilities to be held above the forecast requirements of the business. The Group manages liquidity risk centrally by monitoring cash flow forecasts, and maintaining adequate cash reserves and debt facilities. The debt portfolio is periodically reviewed to ensure there is funding flexibility across an appropriate maturity profile. The tables below set out the contractual timing of undiscounted cash flows on derivative and non-derivative financial assets and liabilities at the reporting date, including drawn borrowings and interest.

	2019			2018		
Thousands of dollars	Derivative financial liabilities	Derivative financial assets	Net derivative financial (liabilities)/ assets	Derivative financial liabilities	Derivative financial assets	Net derivative financial (liabilities)/ assets
Derivative financial instruments						
Less than one year	(1,017,484)	1,008,378	(9,106)	(858,268)	863,835	5,567
One to five years	(12,105)	16,249	4,144	(12,943)	13,356	412
Over five years	(1,101)	1,904	803	(4,617)	4,362	(255)
			(4,159)			5,724

Thousands of dollars	2019	2018
Non-derivative financial instruments – liabilities		
Less than one year	(2,760,383)	(1,983,389)
One to five years	(526,506)	(525,025)
Over five years	(381,000)	(393,000)
	(3,667,889)	(2,901,414)

Thousands of dollars	2019(i)
Lease liabilities	
Less than one year	(160,460)
One to five years	(573,854)
Over five years	(521,946)
	(1,256,260)

(i) No comparative amounts have been disclosed as 2018 amounts were not restated as a result of adopting AASB 16. Refer to Note A4.

D2 Risk management continued

D2.5 Liquidity risk management continued

The Group has the following committed undrawn floating rate borrowing facilities:

Thousands of dollars	2019	2018
Financing arrangements		
Expiring within one year	150,000	–
Expiring beyond one year	1,666,614	1,390,262
	1,816,614	1,390,262

D3 Capital management

The Group's primary objective when managing capital is to safeguard the ability to continue as a going concern, while delivering on strategic objectives.

The Group's Financial Framework is designed to support the overarching objective of top quartile Total Shareholder Return, relative to the S&P/ASX 100. The framework's key elements are to:

- maintain an optimal capital structure that delivers a competitive cost of capital by holding a level of net debt (including lease liabilities) relative to EBITDA that is consistent with investment-grade credit metrics;
- deliver Return on Capital Employed (ROCE) that exceeds the weighted average cost of capital; and
- make disciplined capital allocation decisions between investments, debt reduction and distribution of surplus capital to shareholders.

The Group's gearing ratio is calculated as net debt/total capital. Net debt is calculated as total interest-bearing liabilities (excluding liabilities arising under AASB 16 Leases from 1 January 2019; refer to Note D1) less cash and cash equivalents. Total capital is calculated as equity as shown in the balance sheet plus net debt.

Thousands of dollars	2019	2018
Total interest-bearing liabilities	902,989	961,335
Less: cash and cash equivalents	(35,015)	(6,142)
Net debt	867,974	955,193
Total equity	3,270,523	3,389,064
Total capital	4,138,497	4,344,257
Gearing ratio	21.0%	22.0%

D4 Fair value 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 are 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 fair value of cash, cash equivalents and non-interest-bearing financial assets and liabilities approximates their carrying value due to their short maturity.

Notes to the Financial Statements
D Capital, funding and risk management continued
FOR THE YEAR ENDED 31 DECEMBER 2019

D4 Fair value of financial assets and liabilities continued

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

Thousands of dollars		Asset/(Liability)			
31 December 2019	**Carrying amount**	**Fair value total**	**Quoted market price (Level 1)**	**Observable inputs (Level 2)**	**Non-market observable inputs (Level 3)**
Interest-bearing liabilities					
Bank facilities(i)	(593,181)	(590,368)	–	(590,368)	–
Capital market borrowings(ii)	(309,808)	(344,488)	–	(344,488)	–
Derivatives					
Interest rate swaps(iii)	1,158	1,158	–	1,158	–
Foreign exchange contracts (forwards, swaps and options)(iii)	(6,197)	(6,197)	–	(6,197)	–
Crude and finished product swap and futures contracts(iii)	(27,018)	(27,018)	10,333	(37,351)	–
Total	(935,046)	(966,913)	10,333	(977,246)	–

Thousands of dollars		Asset/(Liability)			
31 December 2018	**Carrying amount**	**Fair value total**	**Quoted market price (Level 1)**	**Observable inputs (Level 2)**	**Non-market observable inputs (Level 3)**
Interest-bearing liabilities					
Bank facilities(i)	(660,596)	(657,282)	–	(657,282)	–
Capital market borrowings(ii)	(300,575)	(304,589)	–	(304,589)	–
Derivatives					
Interest rate swaps(iii)	(550)	(550)	–	(550)	–
Foreign exchange contracts (forwards, swaps and options)(iii)	5,787	5,787	–	5,787	–
Crude and finished product swap and futures contracts(iii)	55,983	55,983	12,229	43,754	–
Total	(899,951)	(900,651)	12,229	(912,880)	–

Estimation of fair values

(i) Bank facilities:
The fair value of bank facilities is estimated as the present value of future cash flows using the applicable market rate.

(ii) Capital market borrowings
The fair value of capital market borrowings is determined by quoted market prices or dealer quotes for similar instruments.

(iii) Derivatives

Interest rate swaps

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 (forwards, swaps and options)

The fair value of forward exchange contracts (forwards and swaps) is calculated by reference to current forward exchange rates for contracts with similar maturity profiles as at reporting date. The fair value of foreign exchange options is determined using standard valuation techniques.

Crude and finished product swap and futures 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. The fair value of crude and product futures contracts is determined by quoted market prices.

D5 Master netting or similar agreements

The Group enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master netting agreements. In general, under such agreements the amounts owed by each counterparty on a single day in respect of all transactions outstanding in the same currency are aggregated into a net amount payable by one party to the other.

The Group purchases and sells petroleum products with a number of counterparties with contractual offsetting arrangements, referred to as "buy sell arrangements".

The following table presents the recognised amounts that are netted, or subject to master netting arrangements but not offset, as at reporting date. The column "net amount" shows the impact on the Group's balance sheet if all set-off rights were exercised.

	2019				
Thousands of dollars (Australian dollar equivalent amounts)	Gross amount	Amount offset in the balance sheet	Amount in the balance sheet	Related amount not offset	Net amount
Derivative financial assets	122,105	(111,152)	10,953	(2,855)	8,098
Buy sell arrangements	347,798	(317,138)	30,660	–	30,660
Total financial assets	469,903	(428,290)	41,613	(2,855)	38,758
Derivative financial liabilities	(154,162)	111,152	(43,010)	2,855	(40,155)
Buy sell arrangements	(343,202)	317,138	(26,064)	–	(26,064)
Total financial liabilities	(497,364)	428,290	(69,074)	2,855	(66,219)

	2018				
Thousands of dollars (Australian dollar equivalent amounts)	Gross amount	Amount offset in the balance sheet	Amount in the balance sheet	Related amount not offset	Net amount
Derivative financial assets	317,788	(252,715)	65,073	(3,237)	61,836
Buy sell arrangements	294,076	(274,784)	19,292	–	19,292
Total financial assets	611,864	(527,499)	84,365	(3,237)	81,128
Derivative financial liabilities	(256,568)	252,715	(3,853)	3,237	(616)
Buy sell arrangements	(288,718)	274,784	(13,934)	–	(13,934)
Total financial liabilities	(545,286)	527,499	(17,787)	3,237	(14,550)

D6 Issued capital

Thousands of dollars	2019	2018
Ordinary shares		
Shares on issue at beginning of period – fully paid	524,944	524,944
Shares repurchased for cash	(22,318)	–
Shares on issue at end of period – fully paid	502,626	524,944

In April 2019, the Group repurchased 11,103,572 shares at a total cost of $260,157,000 as part of the Group's capital management program. The capital component of the shares repurchased was $22,318,000 and is recognised in issued capital. 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 the Group, ordinary shareholders rank after all creditors and are fully entitled to any proceeds of liquidation. The Group grants performance rights to Senior Executives; see the 2019 Remuneration Report for further detail. For each right that vests, the Group intends to purchase shares on-market following vesting.

Notes to the Financial Statements
E Taxation
FOR THE YEAR ENDED 31 DECEMBER 2019

This section provides details of the Group's income tax expense, current tax provision and deferred tax balances and the Group's tax accounting policies.

E1 Income tax expense
E1.1 Recognised in the income statement

Thousands of dollars	2019	2018
Current tax expense:		
Current year	126,895	154,918
Adjustments for prior years	(2,630)	(6,332)
	124,265	148,586
Deferred tax expense:		
Origination and reversal of temporary differences	3,942	61,712
Adjustments for prior years	9,706	9,012
	13,648	70,724
Total income tax expense in the income statement	137,913	219,310

E1.2 Reconciliation between income tax expense and profit before income tax expense

Thousands of dollars	2019	2018
Profit before income tax expense	521,732	780,900
Income tax using the domestic corporate tax rate of 30% (2018: 30%)	156,520	234,270
Effect of tax rates in foreign jurisdictions	(8,374)	(5,981)
Increase/(decrease) in income tax expense due to:		
Share of net profit of associated entities	(1,269)	(3,040)
Capital tax losses utilised for which no deferred tax asset was recognised	(9,786)	(6,624)
Step-up to market value on pre-CGT sites	(6,146)	-
Research and development allowances	(638)	(850)
Other	530	(1,145)
Income tax over-provided in prior years	7,076	2,680
Total income tax expense in the income statement	137,913	219,310

Income tax expense comprises current tax expense and deferred tax expense. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the balance sheet date, and any adjustments to tax payable in respect of previous years. Deferred tax expense represents the changes in temporary differences between the carrying amount of an asset or liability in the statement of financial position and its tax base.

Taxation of Singaporean entities
At the date of this report, the Australian Taxation Office (ATO) had not finalised its position in relation to the extent to which earnings from the Group's Singaporean entities would be subject to income tax in Australia. Due to the uncertainty over the ATO's final position, the Group has estimated and recognised tax liabilities for 2014 to date based on the income tax rate of 30%, being the Australian corporate income tax rate. The Singaporean corporate income tax rate is 17%; however, due to some of the Group's Singaporean entities having status as Global Trader Companies, specified income of those entities is subject to a lower tax rate. The cumulative tax expense for the differential between the Australian and Singapore tax rates recognised in the financial statements from 2014 to 31 December 2019 is $163 million. Under an administrative agreement made with the ATO, 50% of the differential between the earnings taxable under the Australian and Singaporean taxation rates for the 2014 to 2019 years has been paid or payable pending resolution of the matter. As a result, as at 31 December 2019 $91 million is recognised in current tax payable in relation to this matter. If the outcome of the ATO's decision is in Caltex's favour, an amount of income tax expense recognised to date could be written back in future periods. If the tax matter is resolved such that the ATO's position is sustained, there would be no impact on the Caltex income statement or net assets.

E2 Deferred tax

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 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.

E2.1 Movement in deferred tax

Thousands of dollars Asset/(Liability)	Balance at 1 Jan 19 as reported	Adoption of AASB 16[(i)]	Recognised in income	Recognised in equity	Balance at 31 Dec 19
Cash and receivables	(17,847)	(1,372)	22,045	–	2,826
Inventories	(8,260)	–	15,115	–	6,855
Property, plant and equipment and intangibles	50,824	(256,327)	2,290	(43)	(203,256)
Payables	39,458	(3,998)	(15,157)	2,181	22,484
Interest-bearing liabilities	4,550	–	122	–	4,672
Provisions	131,671	–	(19,191)	(1,090)	111,390
Lease liabilities	–	267,889	(17,267)	8	250,630
Other	(16,236)	–	(1,605)	(2)	(17,843)
Net deferred tax asset	184,160	6,192	(13,648)	1,054	177,758

(i) Refer to Note A4.

Thousands of dollars Asset/(Liability)	Balance at 1 Jan 18	Recognised in income	Recognised in equity	Balance at 31 Dec 18
Cash and receivables	137	(17,984)	–	(17,847)
Inventories	5,210	(13,470)	–	(8,260)
Property, plant and equipment and intangibles	55,279	(4,240)	(215)	50,824
Payables	42,490	(3,032)	–	39,458
Interest-bearing liabilities	3,727	(1,416)	2,239	4,550
Provisions	145,371	(14,548)	848	131,671
Other	(194)	(16,034)	(8)	(16,236)
Net deferred tax asset	252,020	(70,724)	2,864	184,160

Notes to the Financial Statements
E Taxation continued
FOR THE YEAR ENDED 31 DECEMBER 2019

E2 Deferred tax continued
E2.2 Deferred tax recognised directly in equity

Thousands of dollars	2019	2018
Related to actuarial gains	(1,094)	838
Related to derivatives	1,823	568
Related to change in fair value of net investment hedges	360	1,670
Related to foreign operations – foreign currency translation differences	(33)	(212)
Related to the adoption of new accounting standards	6,192	7,947
	7,248	10,811

E2.3 Unrecognised deferred tax assets

Thousands of dollars	2019	2018
Capital tax losses	58,834	89,982

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. These have not been tax effected.

E3 Tax consolidation
Caltex Australia Limited recognises all current tax balances relating to its wholly-owned Australian resident entities included in the tax consolidated group (TCG). Caltex Australia Limited, 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.

Notes to the Financial Statements
F Group structure
FOR THE YEAR ENDED 31 DECEMBER 2019

This section provides information on the Group's structure and how this impacts the results of the Group as a whole, including details of joint arrangements, controlled entities, transactions with non-controlling interests and changes made to the structure during the year.

F1 Controlled entities

Controlled entities 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 following entities were controlled during 2019:

		% Interest	
Name	**Note**	**2019**	**2018**
Companies			
Ampol Bendigo Pty Ltd	(iii)	100	100
Ampol International Holdings Pte Ltd	(ii)	100	100
Ampol Management Services Pte Ltd	(ii)	100	100
Ampol Procurement Services Pte Ltd	(ii)	100	100
Ampol Property (Holdings) Pty Ltd	(iii)	100	100
Ampol Refineries (Matraville) Pty Ltd	(xii)	100	100
Ampol Road Pantry Pty Ltd	(xii)	100	100
Ampol Singapore Trading Pte Ltd	(ii)	100	100
Ampol US Trading LLC	(x)	100	–
Ampol US Holdings LLC	(x)	100	–
Ampol US Management Services LLC	(x)	100	–
Ampol Shipping & Logistics Pte Ltd	(ii)(xi)	100	–
Australian Petroleum Marine Pty Ltd	(iii)	100	100
B & S Distributors Pty Ltd	(iv)	50	50
Bowen Petroleum Services Pty Ltd	(xii)	100	100
Caltex Aviation Pty Ltd	(xiii)	100	100
CAL Group Holdings NZ Ltd	(v)	100	100
Calgas Pty Ltd		100	100
Calstores Pty Ltd	(iii)	100	100
Caltex Australia Custodians Pty Ltd	(iii)	100	100
Caltex Australia Management Pty Ltd	(iii)	100	100
Caltex Australia Nominees Pty Ltd	(xii)	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
Centipede Holdings Pty Ltd		100	100
Circle Petroleum (Q'land) Pty Ltd	(xii)	100	100
Cocks Petroleum Pty Ltd	(x)	100	100
Cooper & Dysart Pty Ltd		100	100
Graham Bailey Pty Ltd	(iii)	100	100
Gull New Zealand Ltd	(v)	100	100
Hanietee Pty Ltd	(iii)	100	100

Notes to the Financial Statements
F Group structure continued
FOR THE YEAR ENDED 31 DECEMBER 2019

F1 Controlled entities continued

		% Interest	
Name	Note	2019	2018
Hunter Pipe Line Company Pty Ltd	(iii)	100	100
Jayvee Petroleum Pty Ltd	(xii)	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
Real FF Pty Ltd	(iii)	100	100
Ruzack Nominees Pty Ltd	(xii)	100	100
Sky Consolidated Property Pty Ltd		100	100
Solo Oil Australia Pty Limited		100	100
Solo Oil Corporation Pty Ltd	(xii)	100	100
Solo Oil Investments Pty Ltd	(iii)	100	100
Solo Oil Pty Ltd	(iii)	100	100
South Coast Oils Pty Ltd	(xii)	100	100
South East Queensland Fuels Pty Ltd		100	100
Sydney Metropolitan Pipeline Pty Ltd		60	60
Teraco Pty Ltd	(iv)	50	50
Terminals New Zealand Ltd	(v)	100	100
Tulloch Petroleum Services Pty Ltd	(xii)(iii)	100	100
Western Fuel Distributors Pty Ltd	(iv)	50	50
Zeal Achiever Ltd	(xiv)	100	100
Unit trusts			
Caltex Real Estate Investment Trust	(ix)	100	100
Eden Equity Unit Trust	(vi)	100	100
Petroleum Leasing Unit Trust	(vii)	100	100
Petroleum Properties Unit Trust	(vii)	100	100
South East Queensland Fuels Unit Trust	(viii)	100	100

(i) All companies are incorporated in Australia, except where noted otherwise.
(ii) Incorporated in Singapore.
(iii) These companies are parties to a Deed of Cross Guarantee dated 22 December 1992 as amended, varied and restated with Caltex and each other.
(iv) Included as controlled entities in accordance with AASB 10 Consolidated Financial Statements. In each case, control exists because a company within the 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) Incorporated in New Zealand.
(vi) Caltex Petroleum Services Pty Ltd is the sole unit holder.
(vii) Solo Oil Pty Ltd is the sole unit holder.
(viii) Caltex Australia Petroleum Pty Ltd and Caltex Petroleum Services Pty Ltd each own half of the units in this trust.
(ix) Australian Petroleum Marine Pty Ltd is the sole unit holder.
(x) Incorporated in Delaware, United States of America, on 12 November 2019.
(xi) Incorporated in Singapore, on 12 February 2019.
(xii) The directors of the companies listed above declared that the companies were solvent pursuant to section 494 of the Corporations Act 2001. The companies were wound up by their shareholders voluntarily on 20 December 2019.
(xiii) Formerly known as Brisbane Airport Fuel Services Pty Ltd.
(xiv) Australian tax resident incorporated in the British Virgin Islands.

F1 Controlled entities continued

F1.1 Deed of Cross Guarantee

The parent entity has entered into a Deed of Cross Guarantee through which the Group guarantees the debts of certain controlled entities. The controlled entities that are party to the deed are shown in Note F1.

Income statement for entities covered by the Deed of Cross Guarantee:

Thousands of dollars	2019	2018
Revenue	18,863,170	19,766,085
Cost of goods sold – historical cost	(17,390,390)	(17,978,686)
Gross profit	**1,472,780**	1,787,399
Other income	44,728	12,555
Other expense	–	(17,291)
Selling, distribution and general and administration expenses	(977,700)	(1,024,009)
Results from operating activities	**539,808**	758,654
Finance costs	(120,995)	(51,872)
Finance income	1,239	2,670
Net finance costs	**(119,756)**	(49,202)
Share of net profit of entities accounted for using the equity method	4,231	10,133
Profit before income tax expense	**424,283**	719,585
Income tax expense	(290,605)	(138,153)
Net profit	**133,678**	581,432
Items that will not be reclassified to profit or loss	2,554	(1,955)
Items that may be reclassified subsequently to profit or loss	(3,928)	(1,345)
Other comprehensive income for the period, net of income tax	**(1,374)**	(3,300)
Total comprehensive income for the period	**132,304**	578,132
Retained earnings at the beginning of the year	2,680,508	2,408,788
Adjustment - Adoption of AASB 16	13,814	-
Current year earnings	133,678	581,432
Movement in reserves	2,554	(1,955)
Shares bought back	(237,839)	-
Transactions with owners	74,158	-
Dividends provided for or paid	(239,000)	(307,757)
Retained earnings at the end of the year	**2,427,873**	2,680,508

Notes to the Financial Statements
F Group structure continued
FOR THE YEAR ENDED 31 DECEMBER 2019

F1 Controlled entities continued
F1.1 Deed of Cross Guarantee continued
Balance sheet for entities covered by the Deed of Cross Guarantee

Thousands of dollars	2019	2018
Current assets		
Cash and cash equivalents	24,753	-
Receivables	620,549	659,186
Inventories	1,186,704	1,003,915
Other	202,233	184,707
Total current assets	2,034,239	1,847,808
Non-current assets		
Receivables	53,979	8,081
Investments accounted for using the equity method	154,902	147,442
Intangibles	285,757	266,235
Property, plant and equipment	3,522,095	2,772,013
Deferred tax assets	167,506	188,427
Employee benefits	3,988	1,721
Other	68,038	70,552
Total non-current assets	4,256,265	3,454,471
Total assets	6,290,504	5,302,279
Current liabilities		
Bank overdraft	-	9,908
Payables	1,247,160	785,130
Interest-bearing liabilities	217,576	146,339
Current tax liabilities	97,002	15,523
Employee benefits	50,507	85,639
Provisions	81,360	59,242
Total current liabilities	1,693,605	1,101,781
Non-current liabilities		
Payables	21,325	41,686
Interest-bearing liabilities	1,361,876	667,520
Employee benefits	40,493	39,667
Provisions	242,935	251,581
Total non-current liabilities	1,666,629	1,000,454
Total liabilities	3,360,234	2,102,235
Net assets	2,930,270	3,200,044
Equity		
Issued capital	502,626	524,944
Treasury stock	(1,968)	(2,462)
Reserves	1,739	(2,946)
Retained earnings	2,427,873	2,680,508
Total equity	2,930,270	3,200,044

F2 Business combinations

There were no material business combinations during the years ended 31 December 2019 or 31 December 2018.

F3 Equity-accounted investees

Associates are those entities over whose financial and operating policies the Group has significant influence, but not control. Joint ventures are those entities whose financial and operating policies the Group has joint control over and where the Group has rights to the net assets of the entity.

The consolidated financial statements include the Group's share of the total recognised gains and losses of associates and joint ventures on an equity-accounted basis, from the date that significant influence or joint control commences until the date that it ceases. When the Group's share of losses exceeds the carrying amount of the associate or joint venture, 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 or joint venture.

Other movements in reserves are recognised directly in the consolidated reserves.

Unrealised gains arising from transactions with associates and joint ventures are eliminated to the extent of the Group's interest in the entity. Unrealised losses arising from transactions with associates and joint ventures are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

F3.1 Investments in associates and joint ventures

		% Interest	
Name	Country of incorporation	2019	2018
Investments in associates			
SEAOIL Philippines Inc.(i)	Philippines	20	20
Geraldton Fuel Company Pty Ltd	Australia	50	50
Investments in joint ventures			
Airport Fuel Services Pty Limited	Australia	40	40
Australasian Lubricants Manufacturing Company Pty Ltd(ii)	Australia	50	50
Cairns Airport Refuelling Service Pty Ltd	Australia	33.33	33.33

(i) Caltex acquired interest on 1 March 2018.
(ii) Australasian Lubricants Manufacturing Company Pty Ltd ceased joint venture operations on 17 April 2015.

The companies listed in the above table were incorporated in Australia and the Philippines, have a 31 December balance date and are principally concerned with the sale, marketing and/or distribution of fuel products and the operation of convenience stores.

Notes to the Financial Statements
F Group structure continued
FOR THE YEAR ENDED 31 DECEMBER 2019

F3 Equity-accounted investees continued
F3.2 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	Elimination of unrealised loss in inventories	Goodwill	Total share of associates' net assets equity accounted
2019	**1,651,615**	**14,126**	**4,231**	**610,206**	**395,521**	**214,685**	**50,412**	**156**	**103,565**	**154,133**
2018	1,447,427	46,488	10,133	486,919	279,625	207,294	48,258	(176)	98,591	146,673

F3.3 Investments in joint ventures

Thousands of dollars	Revenue (100%)	Profit (100%)	Share of joint ventures' net profit recognised	Total assets (100%)	Total liabilities (100%)	Net assets as reported by joint venture (100%)	Share of joint ventures' net assets equity accounted
2019	**10,528**	**–**	**–**	**4,703**	**2,780**	**1,923**	**769**
2018	9,829	–	–	4,231	2,308	1,923	769

F4 Joint operations

Joint operations are those entities whose financial and operating policies the Group has joint control over, and where the Group has rights to the assets and obligations for the liabilities of the entity.

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 revenue and expenses it incurs and its share of income that it earns from the sale of goods or services by the joint operation.

The Group has joint interests in multiple Joint User Hydrant Installations (JUHIs), which are based at airports across Australia. The Group's interest in the JUHIs ranges from 20% to 50%. The principal activity of the JUHIs is refuelling aircraft at the airports. For the year ended 31 December 2019, the contribution of the JUHIs to the operating profit of the Group was nil (2018: 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	2019	2018
Non-current assets		
Plant and equipment	**84,061**	77,048
Less: accumulated depreciation	**(38,109)**	(40,557)
Total non-current assets	**45,952**	36,491
Total assets	**45,952**	36,491

F5 Parent entity disclosures

As at, and throughout, the financial year ended 31 December 2019, the parent entity of the Group was Caltex Australia Limited.

Thousands of dollars	2019	2018
Result of the parent entity		
Profit for the period	**284,276**	423,279
Other comprehensive income/(loss)	**(18,559)**	(7,629)
Total comprehensive income for the period	**265,717**	415,650
Financial position of parent entity at year end		
Current assets	**122,249**	8,638
Total assets	**2,598,083**	2,245,085
Current liabilities	**238,855**	119,771
Total liabilities	**2,112,149**	1,506,146
Total equity of the parent entity comprising:		
Issued capital	**502,626**	524,944
Treasury stock	**(1,968)**	(2,462)
Reserves	**(17,962)**	(16,880)
Retained earnings	**3,238**	233,337
Total equity	**485,934**	738,939

Comparative share capital and total assets have been restated to appropriately reflect the actual 2018 balance.

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 F1.

The bank guarantee and letter of credit arrangements provided by the parent entity are consistent with those held by the Group as disclosed in Note G2.

Notes to the Financial Statements
G Other information
FOR THE YEAR ENDED 31 DECEMBER 2019

This section includes other information to assist in understanding the financial performance and position of the Group, or items to be disclosed to comply with accounting standards and other pronouncements.

G1 Commitments
Capital expenditure

Thousands of dollars	2019	2018
Capital expenditure contracted but not provided for in the financial report and payable	**7,393**	11,970

G2 Contingent liabilities
Discussed below are items where either it is not probable that the Group will have to make future payments or the amounts of the future payments are not able to be measured.

Legal and other claims
In the ordinary course of business, the Group is involved as a plaintiff or 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.

Bank guarantees
The Group has entered into letters of credit in the normal course of business to support crude and product purchase commitments and other arrangements entered into with third parties. In addition, the Group has granted indemnities to banks to cover bank guarantees given on behalf of controlled entities. The probability of having to make a payment under these arrangements is remote.

Deed of Cross Guarantee and class order relief
Details of the Deed of Cross Guarantee are disclosed in Note F1.

G3 Related party disclosures
Associates
In 2019, the Group sold petroleum products to associates totalling $407,088,000 (2018: $564,667,000). The Group received income from associates for rental income of $938,000 (2018: $934,000).

Details of associates are set out in Note F3. Amounts receivable from associates are set out in Note C1. Dividend and disbursement income from associates is $450,000 (2018: $400,000).

The Group has interests in associates primarily for the marketing, sale and distribution of fuel products. Details of the Group’s interests are set out in Note F3.

Joint venture and joint operations
The Group has interests in joint arrangements primarily for the marketing, sale and distribution of fuel products and the operation of convenience stores. There were no material related party transactions with the Group’s joint arrangements entities during 2019 (2018: nil). Details of the Group's interests are set out in notes F3 and F4.

G4 Key management personnel

The key management personnel of the Group during 2019 and 2018 were:

Current Directors

- Steven Gregg, Chairman and Independent Non-executive Director
- Julian Segal, Managing Director and CEO
- Mark Chellew, Independent Non-executive Director
- Melinda Conrad, Independent Non-executive Director
- Bruce Morgan, Independent Non-executive Director
- Barbara Ward AM, Independent Non-executive Director
- Penny Winn, Independent Non-executive Director

Former Directors

- Trevor Bourne, Independent Non-executive Director (to 9 May 2019)

Senior Executives

- Julian Segal, Managing Director and CEO
- Matthew Halliday, Chief Financial Officer (from 15 April 2019)
- Louise Warner, Executive General Manager, Fuels and Infrastructure
- Joanne Taylor, Executive General Manager, Convenience Retail (from 1 April 2019)

Former Senior Executives

- Simon Hepworth, Chief Financial Officer (to 1 July 2019)
- Richard Pearson, Executive General Manager, Convenience Retail (to 30 September 2019)

Key management personnel compensation

Dollars	2019	2018
Short-term benefits	**7,309,316**	9,571,817
Other long-term benefits	**139,681**	118,690
Post-employment benefits	**342,211**	367,468
Termination benefits	**1,103,261**	-
Share-based payments	**2,514,151**	2,422,616
	11,408,620	12,480,591

Information regarding Directors’ and Executives’ compensation and some equity instruments disclosures is provided in the Remuneration Report section of the Directors' Report.

Notes to the Financial Statements
G Other information continued
FOR THE YEAR ENDED 31 DECEMBER 2019

G5 Notes to the cash flow statement
G5.1 Reconciliation of cash and cash equivalents

Cash and cash equivalents comprises 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.

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

Thousands of dollars	2019	2018
Cash at bank	35,015	6,142
Total cash and cash equivalents	35,015	6,142

G5.2 Reconciliation of net profit to net operating cash flows

Thousands of dollars	2019	2018
Net profit	383,819	561,590
Adjustments for:		
Net gain on sale of property, plant and equipment	(44,728)	(12,555)
Impairment of Kitchen Food Company and related receivables	-	13,060
Finance charges on leases	(58,603)	27
Interest paid capitalised	(92)	(287)
Amortisation of finance costs	273	1,641
Depreciation of property, plant and equipment	360,276	223,976
Amortisation of intangibles	27,082	28,372
Treasury stock movements net of expense	1,491	2,814
Share of associates' and joint ventures' net profit	(4,234)	(10,859)
Movements in assets and liabilities:		
(Increase) in receivables	(295,843)	(258,799)
Decrease/(increase) in inventories	(493,380)	78,790
Decrease/(increase) in other assets	25,763	(32,203)
Increase in payables	899,050	66,431
Increase)/decrease in current tax balances	56,626	(79,311)
Decrease in deferred tax assets	7,457	62,778
Decrease in provisions	(20,698)	(48,961)
Net operating cash inflows	844,259	596,504

G6 Auditor remuneration

Dollars	2019	2018
Audit and review services		
Auditors of the Group – KPMG		
Audit and review of financial statements – Group	1,573,200	1,197,400
Audit and review of financial statements – controlled entities	175,500	157,400
	1,748,700	1,354,800
Assurance services		
Auditors of the Group – KPMG		
Regulatory assurance services	19,600	19,200
Other assurance services	112,500	–
	132,100	19,200
Other services		
Auditors of the Group – KPMG		
Taxation advice and tax compliance services	52,500	73,610
Other advisory services	28,440	–
	80,940	73,610

The 2019 audit fee includes audit work in respect of the adoption of new accounting standards in the year.

G7 Net tangible assets per share

Thousands of dollars	2019	2018
Net tangible assets per share	10.75	10.82

Net tangible assets are net assets attributable to members of Caltex Australia Limited less intangible assets. The number of ordinary shares used in the calculation of net tangible assets per share was 249,707,000 (2018: 261,811,000).

G8 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2020, 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.

G9 Events subsequent to the end of the year

On 25 February 2020, the Group announced changes to its senior leadership team. Julian Segal, MD and CEO, will retire and step down from his role with effect from 2 March 2020. Matthew Halliday, currently Caltex's CFO, has been appointed as Interim CEO with effect from 2 March 2020. Current EGM Fuels and Infrastructure, Louise Warner, has been appointed as Interim Chief Operating Officer and current Deputy CFO, Jeff Etherington, has been appointed to Interim CFO. Joanne Taylor will continue as EGM Convenience Retail, reporting to the CEO.

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 the Group, the results of those operations or the state of affairs of the Group that have arisen in the period from 31 December 2019 to the date of this report.

Comparative Financial Information

The additional information on pages 126 to 127 is provided for the information of shareholders.
The information is based on, but does not form part of, the 2019 Financial Report.

Caltex Australia Limited consolidated results	2019	2018	2017	2016
Profit and loss ($million)				
Historical cost operating profit before interest and income tax expense	**640**	829	929	936
Interest income	**1**	3	3	7
Interest costs(i)	**(121)**	(52)	(70)	(80)
Historical cost income tax expense	**(138)**	(219)	(243)	(253)
Historical cost operating profit after income tax	**383**	560	619	610
Dividends				
Amount paid and payable ($/share)	**0.83**	1.18	1.21	1.02
Times covered HCOP	**1.85**	1.82	1.96	2.29
Dividend payout ratio – RCOP basis (excl. significant items)(ii)(iii)	**60%**	55%	51%	51%
Dividend franking percentage	**100%**	100%	100%	100%
Other data				
Total revenue ($m)(iii)	**22,307**	21,731	16,286	13,027
Earnings per share – HCOP (cents per share)	**151**	215	237	232
Earnings per share – RCOP (cents per share) (excl. significant items)	**136**	214	238	199
Earnings before interest and tax – replacement cost basis ($m) (excl. sig items)	**607**	826	959	813
Operating cash flow per share ($/share)	**3.4**	2.3	2.8	3.6
Interest cover – HCOP basis(i)	**5.3**	16.9	13.9	12.9
Interest cover – RCOP basis (excl. significant items)(i)	**5.1**	16.8	14.3	11.2
Equity attributable to members of the company ($m)	**3,257**	3,376	3,094	2,797
Total equity ($m)	**3,271**	3,389	3,108	2,810
Total assets ($m)	**8,347**	6,728	6,355	5,303
Net tangible asset backing ($/share)	**10.75**	10.82	9.88	9.88
Borrowings ($m)	**903**	961	859	698
Borrowings net of cash ($m)	**868**	955	814	454
Net debt to net debt plus equity (%)	**21**	22	21	14

(i) Includes the impact of AASB 16 from 1 January 2019.
(ii) Based on reported RCOP NPAT of the time.
(iii) All prior periods revenue restated for consistency with current period (product duties and taxes shown on a net basis).
(iv) Dividend payout ratio – replacement cost of sales operating profit basis calculated as follows:

$$\frac{\text{Dividends paid and payable in respect of financial year}}{\text{RCOP after income tax (excl. significant items)}}$$

Replacement Cost of Sales Operating Profit Basis of Accounting

- To assist in understanding the Group's operating performance, the directors have provided additional disclosure of the Group's results for the year on a replacement cost of sales operating profit basis(i), which excludes net inventory gains and losses.
- On a replacement cost of sales operating profit basis excluding significant items, the Group's net profit after income tax for the year was $344 million, compared to a profit of $558 million in 2018.
- 2019 net profit before interest, income tax and significant items on a replacement cost of sales operating profit basis was $607 million, a decrease of $219 million over 2018.

RCOP Basis of Accounting	Five years*	2019*	2018	2017	2016	2015
Historical cost operating profit before interest and income tax expense	**4,149**	640	829	929	936	815
Add/(deduct) inventory losses/(gains)(ii)	**76**	19	(20)	6	(122)	193
Significant items (income)/expense	**(44)**	(53)(iii)	17(iv)	24(v)	–	(32)(vi)
Replacement cost of sales operating net profit before interest and income tax expense	**4,182**	607	826	959	813	977
Net borrowing costs(vii)	**(386)**	(120)	(49)	(67)	(73)	(77)
Replacement cost income tax expense	**(1,104)**	(143)	(218)	(254)	(217)	(272)
Replacement cost of sales operating profit after income tax(viii)	**6,873**	344	558	638	524	628

*Note: Totals may not sum due to rounding.

(i) The replacement cost of sales operating profit basis (RCOP) removes the unintended 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 USD price of crude oil and foreign exchange impacts constitute a major external influence on company profits. RCOP 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 financials.
As a general rule, an increase in crude prices on an Australian dollar basis will create an earnings gain for Caltex (but working capital requirements will also increase). Conversely, a drop in crude prices on an Australian dollar 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 costings reflect costs some 45 to 60 days earlier. The timing differences 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 form inventory. The cost of these theoretical new purchases is calculated as the average monthly cost of cargoes received during the month of those sales.

(ii) Historical cost results include gross inventory gains or losses from the movement in crude oil prices. In 2019, the historical cost result includes $19 million inventory loss (2018: $20 million inventory gain).

(iii) The significant item gain of $53 million relates to the net gain on sale from the divestment of the 25 Higher Better Use (HBU) sites during 2019.

(iv) During 2018, significant item expense consists of the loss on exit from Caltex's 49% interest in Kitchen Food Company of $27 million, offset in relation to the partial writeback of the Franchisee Employee Assistance Fund ($10 million) resulting in a net impact of $17 million.

(v) Includes net significant items before tax totalling a loss of $24 million, that have been recognised in the income statement. The significant items are a result of the announced establishment of the Franchisee Employee Assistance Fund ($20 million), restructuring and redundancy costs associated with the capability and competitiveness project Quantum Leap ($23 million), offset by the profit on sale of Caltex's fuel oil business and the utilisation of prior period capital losses to partially offset tax expense on the profit on sale.

(vi) Includes significant items before tax totalling a gain of $31,924,000, that have been recognised in the income statement. This gain relates to the sale of surplus property in Western Australia.

(vii) Includes the impact of AASB 16 from 1 January 2019.

(viii) Replacement cost profit after income tax is calculated before taking into account any significant items over the five years. The total effect of these significant items in each year was: 2015: $32 million gain before tax ($29 million after tax); 2016: no significant items were recognised; 2017: $24 million expenses before tax ($14 million expenses after tax); 2018: $17 million expenses before tax ($12 million expenses after tax) and 2019: $53 million gain before tax ($53 million gain after tax) were recognised.

Shareholder Information

AS AT 28 FEBRUARY 2020

Share capital

There are 249,706,947 fully paid ordinary shares on issue, held by 31,097 holders.

Holders with less than a marketable parcel

346 shareholders hold less than a marketable parcel of $500 based on a share price of $32.70 per share.

Shares purchased on-market

From 1 January 2019, 25,922 fully paid ordinary shares were purchased on-market at an average cost of $26.85 per share for the purpose of the Caltex Australia Limited Employee Share Plan.

From 1 January 2019, 158,535 fully paid ordinary shares were purchased on-market at an average cost of $27.08 per share for the purpose of the Caltex Australia Limited Equity Incentive Plan.

Substantial shareholders

Substantial Shareholder	Number of shares held	% of issued capital
BlackRock Inc	15,385,717	6.16
The Vanguard Group, Inc	15,015,772	6.01
State Street Corporation	14,945,658	5.99
AustralianSuper	13,611,192	5.45
UBS Group AG and its related bodies corporate	12,940,343	5.18

Shareholder distribution

Range	Total Holders	Units	% of issued capital
1 – 1,000	24,341	9,294,502	3.72
1,001 – 5,000	5,996	12,614,961	5.05
5,001 – 10,000	496	3,543,935	1.42
10,001 – 100,000	230	5,526,135	2.21
Over 100,001	34	218,727,414	87.59
Total	**31,097**	**249,706,947**	**100.000**

Directory

Share registry

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(outside Australia)
F: +61 2 9279 0664

www.boardroomlimited.com.au
caltex@boardroomlimited.com.au

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Caltex Banksmeadow terminal
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Banksmeadow NSW 2019
Australia
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F: +61 2 9666 5737

Caltex Kurnell import terminal
2 Solander Street
Kurnell NSW 2231
Australia
T: +61 2 8543 8622

Top 20 shareholders

Details of the 20 largest shareholders of Caltex Australia Limited shares are listed in the table below.

Rank	Shareholders	Number of shares held	% of issued shares
1	HSBC Custody Nominees (Australia) Limited	88,181,799	35.31
2	JP Morgan Nominees Australia Pty Limited	63,567,137	25.46
3	Citicorp Nominees Pty Limited	30,964,837	12.40
4	National Nominees Limited	10,240,200	4.10
5	BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	6,089,964	2.44
6	HSBC Custody Nominees (Australia) Limited	5,040,017	2.02
7	BNP Paribas Noms Pty Limited <DRP>	4,164,740	1.67
8	Citicorp Nominees Pty Limited <Colonial First Estate Inv A/C>	1,659,846	0.66
9	HSBC Custody Nominees (Australia) Limited – GSCO ECA	1,178,444	0.47
10	HSBC Custody Nominees (Australia) Limited – A/C 2	635,844	0.25
11	National Nominees Limited <N A/C>	630,700	0.25
12	Warbont Nominees Pty Ltd <Unpaid Entrepot A/C>	607,088	0.24
13	Neweconomy.com.au Nominees Pty Limited <900 account>	567,967	0.23
14	AMP Life Limited	557,665	0.22
15	Morgan Stanley Australia Securities (Nominee) Pty Limited <No. 1 Account>	493,642	0.20
16	BNP Paribas Nominees Pty Limited Hub24 Custodial Serv Ltd DRP	416,185	0.17
17	BNP Paribas Noms Pty Limited <Arbitage Snc DRP>	402,694	0.16
18	Milton Corporations Limited	394,000	0.16
19	Mutual Trust Pty Limited	284,949	0.11
20	Julian Segal	269,367	0.11
Totals: Top 20 holders of ORDINARY FULLY PAID SHARES (Total)		**216,347,085**	**86.64**
Total Remaining Holders Balance		**33,359,862**	**13.36**

Voting Rights

Shareholders in Caltex Australia Limited have a right to attend and vote at all general meetings in accordance with the company's Constitution, the *Corporations Act 2001 (Cth)* and the ASX Listing Rules.

Corporate Governance Statement

A copy of the Corporate Governance Statement can be found on our website. Visit https://www.caltex.com.au/our-company/investor-centre/corporate-governance.

Australian Securities Exchange

The company's fully paid ordinary shares (ASX:CTX) are listed on the Australian Securities Exchange.

Company Secretaries

Lyndall Stoyles is appointed as Company Secretary of Caltex Australia Limited.

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Complaints, compliments and suggestions
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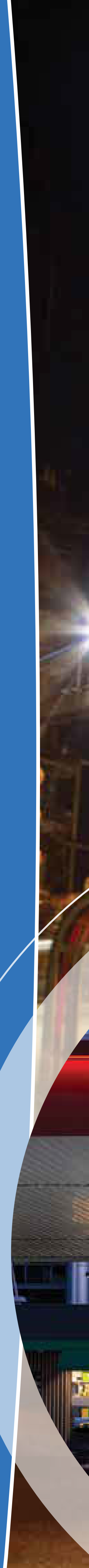
Card support centre
T: 1300 365 096

Lubelink
T: 1300 364 169



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