FREEDOM OF CONVENIENCE

CALTEX
Caltex Australia

2015
ANNUAL REPORT

CALTEX AUSTRALIA LIMITED
2015 ANNUAL REPORT

This 2015 Annual Report for Caltex Australia Limited has been prepared as at 23 February 2016.

The 2015 Annual Report provides a summary of Caltex's main operating activities and performance for the year ended 31 December 2015. The 2015 Financial Report, which forms part of the 2015 Annual Report, provides detailed financial information for the Caltex Group for the year ended 31 December 2015. These and other reports are available from our website (www.caltex.com.au).

When we refer to the Caltex Group in this 2015 Annual Report, we are referring to:
- Caltex Australia Limited (ACN 004 201 307), which is the parent company of the Caltex Australia Group and is listed on the Australian Securities Exchange (ASX)
- our major operating companies, including Caltex Australia Petroleum Pty Ltd
- a number of wholly owned entities and other entities that are controlled by the Group.

Please note that terms such as Caltex and Caltex Australia have the same meaning in the 2015 Annual Report as the Caltex Group, unless the context requires otherwise.

Shareholders can request a printed copy of the 2015 Annual Review and/or the 2015 Annual Report (and 2015 Financial Report), free of charge, by writing to the Company Secretary, Caltex Australia Limited, Level 24, 2 Market Street, Sydney NSW 2000 Australia.

FINANCIAL CALENDAR

YEAR ENDED
31 DECEMBER 2015

05 May 2016
Annual General Meeting

YEAR ENDING
31 DECEMBER 2016*

23 August 2016
Half year results and interim dividend announcement

08 September 2016
Record date for interim dividend entitlement

30 September 2016
Interim dividend payable if declared

21 February 2017
Full year results and final dividend announcement

10 March 2017
Record date for final dividend entitlement

03 April 2017
Final dividend payable if declared

* These dates are subject to change.

FRONT COVER: KURNELL WHARF AT SUNRISE. IMAGE BY CRAIG POWELL, DECOMMISSIONING AND DEMOLITION SAFETY SPECIALIST, CALTEX

CALTEX – THE FREEDOM OF CONVENIENCE

Cars, planes and ships have forever been symbols of freedom. They made freedom obtainable. Freedom is a powerful ideal, a feeling that is empowering and liberating. Freedom and convenience are ultimately about choice and the ability to control your own outcomes. Distance, perishability, quality, range and time are no longer restrictive forces in the marketplace. Business and consumers are in the now generation, and this ultimately drives absolute freedom of choice for everyone. It's our ability to deliver on this that drives our business and leverages our deep capabilities in making big things happen easily, everywhere.

CONTENTS

2015 FINANCIAL HIGHLIGHTS

5%

Increase in underlying Supply and Marketing earnings before interest and tax to $675 million in 2015

97%

Refinery mechanical availability is consistent with 2014, and is a five year high for Lytton refinery

$188M

Increase in Lytton refinery profitability to $406 million with strong operational performance capitalising on stronger refiner margins

8.5B

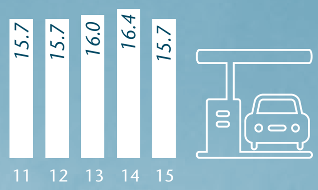
Litres of fuel sold in Caltex branded convenience sites, service centres, truck stops, service stations, diesel stops and depot fronts; a record for the Consumer Sales division, a significant increase on 7.8 billion litres in 2014

Transport fuel sales volumes continued to grow in 2015. The higher sales of premium grades of petrol and diesel, and jet fuel, offset the long term decline in demand for unleaded petrol, including E10.

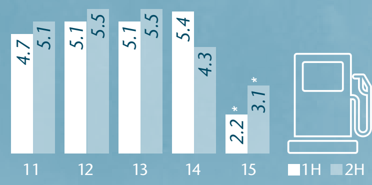
Reduction in refinery transport fuels production reflects the closure of the Kurnell refinery in late 2014. Optimal operation of the Lytton refinery pre and post the two month maintenance period resulted in excellent production levels in 2015 for our sole refinery.

Caltex recorded an after-tax profit for the 2015 full year of $628 million, excluding significant items, on an RCOP basis. This is our preferred measure, as it excludes net inventory gains and losses and better represents the underlying performance of the business.

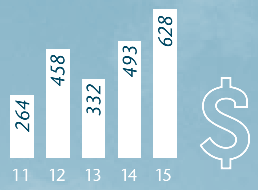
On a historic cost basis, Caltex recorded an after-tax profit of $522 million for the 2015 full year. This includes a crude and inventory loss of approximately $85 million after tax.



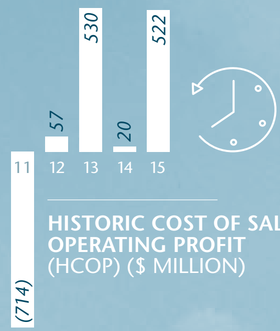
TRANSPORT FUEL SALES (BILLION LITRES)



REFINERY TRANSPORT FUEL PRODUCTION (BILLION LITRES)



REPLACEMENT COST OF SALES OPERATING PROFIT (RCOP) ($ MILLION)



HISTORIC COST OF SALES OPERATING PROFIT (HCOP) ($ MILLION)

* Reflects production from the Lytton refinery only, following the conversion of the Kurnell refinery.

REPORT FROM THE CHAIRMAN AND THE MANAGING DIRECTOR & CEO

2015 was a milestone year in the continued transformation of Caltex. Nowhere was this more evident than in the first full year of operation of Australia's largest fuel import terminal on the site of our former refinery at Kurnell.

GREIG GAILEY
Chairman

JULIAN SEGAL
Managing Director & CEO

2015 was a milestone year in the continued transformation of Caltex. Nowhere was this more evident than in the first full year of operation of Australia's largest fuel import terminal on the site of our former refinery at Kurnell. In addition, our subsidiary Ampol Singapore assumed full responsibility for the sourcing of all crude and refined products following the exit of Chevron from our registry.

During the year, we continued to expand our retail network, increased sales of higher margin Vortex premium products and launched a test site for a refreshed convenience store offering. We are now firmly focused on maximising the available integrated margin between competitive product sourcing and meeting the needs of our many customers.

World-class safety and environmental performance remain an essential prerequisite for us to operate. While we achieved improved outcomes across many measures, particularly disappointing was a spate of minor incidents during the scheduled maintenance at Lytton refinery.

Strong refinery margins enabled us to deliver record replacement cost of sales operating profit (RCOP), net profit after tax and significantly reduced debt. A dividend payout ratio of 40-60% of RCOP has been reinstated, following the successful conversion of the Kurnell site, and we have committed to a $270 million off-market share buy-back. This capital return enables us to use our franking credits effectively while still retaining sufficient financial flexibility to pursue growth opportunities as they present themselves.

Transforming our business

At the heart of our ongoing transformation is the evolution to a fully integrated transport fuels supply chain business. This will ensure we optimise all aspects of our value chain, including sourcing the best quality and most cost effective refined product; engaging the most reliable and cost-effective shipping and transport options; and safely and reliably delivering quality products on time to both our business to business customers and our retail customers.

Heading the transformation was the establishment of our sourcing and shipping capability within our wholly owned subsidiary, Ampol Singapore. Following the Chevron selldown in March 2015, we transitioned the sourcing exclusively to Ampol Singapore. This capability is the cornerstone for our future growth.

Continued focus on safety

Safety remains our number one priority. The disciplined, planned focus that the Board and management placed on safety in 2015 resulted in improved outcomes across many measures; nevertheless, there were some disappointments during the year.

The most significant improvement occurred in process safety, which focuses on the safe manufacture, distribution and transportation of products, and the safe operation of all Caltex facilities. In 2015, Caltex had no tier one or tier two process safety events, compared with four tier one and two tier two in 2014. This result met the aggressive improvement targets set for the year.

SHARE BUY-BACK
enabling Caltex to achieve a balance between returning capital to shareholders, retaining sufficient flexibility to invest capital for growth and maintaining a strong balance sheet
$270M

DIVIDEND
Final dividend of 70 cents per share (fully franked) (full year 117 cps, fully franked), a year on year increase of
67%

In terms of personal safety, our total treated injury frequency rate (TTIFR) was 2.35 per million hours worked, compared with 1.74 per million hours worked in 2014. This result was significantly impacted by six treated injuries during the Lytton refinery scheduled maintenance, which occurs every five years. Encouragingly, our personal safety performance, excluding this event, was broadly on target.

In 2015, we achieved one of our best ever lost time injury frequency rates (LTIFR) of 0.62 per million hours worked. This compares with 0.76 per million hours worked in 2014.

Continued Supply and Marketing growth

Supply and Marketing delivered an earnings before interest and tax (EBIT) result of $672 million in 2015. This result includes a realised loss on US dollar denominated product payables of $26 million, less a price timing lag gain of $23 million. This compares with a 2014 loss of $26 million and a price timing lag gain of $102 million. Excluding these externalities, the underlying Supply and Marketing EBIT of $675 million is up 5% on the comparable 2014 result.

Total sales volumes in 2015 were 5% below the previous year, reflecting the highly competitive commercial markets. From a product mix perspective, Caltex continues to drive premium fuel sales of Vortex 95, Vortex 98 and Vortex Diesel. Higher sales of premium grades of petrol and retail diesel continue to offset the long term decline in demand for unleaded petrol, including E10.

Excellent Lytton refinery performance

The Lytton refinery delivered a record EBIT contribution of $406 million for the 2015 full year. This compares with an EBIT contribution of $218 million for 2014. The refinery benefited from a strong operating performance following the major scheduled maintenance. This enabled the refinery to take advantage of favourable externalities. This result also includes maintenance related supply costs of approximately $23 million, which is in addition to the $20 million previously allocated to Supply and Marketing, within the first half results.

The realised Caltex Refiner Margin (CRM) averaged US$16.46/bbl for the 2015 full year. This compares favourably with the 2014 full year CRM of US$12.42/bbl.

Financial results

For the 2015 full year, Caltex achieved an after-tax profit of $522 million on a statutory, or HCOP measure, including a profit relating to significant items of $29 million after tax. This compares with the 2014 full year profit of $20 million, which included a loss relating to significant items of $112 million after tax. The 2015 result includes a product and crude oil inventory loss of $135 million after tax, reflecting the fall in Brent crude oil prices and the offsetting impact of the lower Australian dollar. This compares favourably with an inventory loss of $361 million after tax in 2014. On an RCOP basis, which is our preferred measure, as it excludes net inventory gains and losses, Caltex recorded an after-tax profit for the 2015 full year of $628 million, excluding significant items. This compares with $493 million for the 2014 full year, excluding significant items.

Dividend

The Board declared a final dividend of 70 cents per share (fully franked) for the second half of 2015. Combined with the interim dividend of 47 cents per share for the first half (paid in September 2015) the total dividend per share for 2015 totals 117 cents, fully franked. This represents a full year payout ratio of 50%. In 2014, the total dividend per share was 70 cents per share (fully franked) for 2014, equating to a payout ratio of 38%.

Capital management

An off-market buy-back for shareholders was announced on 23 February 2016. This buy-back was undertaken in response to a capital management review which focused on maximising shareholder returns. While our priority continues to be investment in the business and in growth initiatives to deliver returns, we also recognise the benefit of returning our surplus franking credits to shareholders.

We are aiming to buy back $270 million worth of shares, representing approximately 3.4% of our shares on issue. This will enable Caltex to achieve a balance between returning capital to shareholders, retaining sufficient flexibility to invest capital for growth and maintaining a strong balance sheet.

Our people

The people of Caltex were instrumental in delivering Caltex's record profits in 2015. We commend them for living the Caltex values, taking on new challenges and developing the necessary capabilities for Caltex to succeed. The Board and management would like to take this opportunity to thank Caltex's employees, contractors, franchisees, distributors and suppliers for their professionalism, expertise and dedication in 2015.

Chairmanship

In December 2015, Elizabeth Bryan retired as Chairman and Non-Executive Director. A member of the Caltex Board since 2002 and Chairman since 2007, Elizabeth led the transformation of the business into an integrated transport fuels value chain business and its growth to become the outright leader in transport fuels across Australia. The Caltex Board and management would like to thank Elizabeth for her outstanding stewardship of the business over the past eight years.

Future growth

As the pace of change in our industry accelerates, the Board and management will continue to navigate and drive Caltex's next phase of growth.

We will continue to invest in our supply chain, including our retail network and infrastructure within our core transport fuels business. In addition, we will continue to explore low-risk adjacent business opportunities, based around our core capabilities of retailing, supply chain management, infrastructure services and product sourcing.

Ultimately, we remain focused on the pursuit to grow earnings, reduce volatility of earnings and cash flow and increase balance sheet flexibility to maximise longer term total shareholder returns.

2015 FINANCIAL REPORT FOR CALTEX AUSTRALIA LIMITED

ACN 004 201 307

The 2015 Financial Report for Caltex Australia Limited includes:

- Directors' Report
- Lead Auditor's Independence Declaration
- Directors' Declaration
- Independent Auditor's Report to the Members 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 2015.

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.

Introduction

The Board of Caltex Australia Limited presents the 2015 Directors' Report (including the Remuneration Report) and the 2015 Financial Report for Caltex Australia Limited (Caltex) and its controlled entities (Caltex Group) for the year ended 31 December 2015 to shareholders. An Independent Audit Report from KPMG, as external auditor, is also provided.

Board of directors

The Board of Caltex Australia Limited comprises Greig Gailey (Chairman), Julian Segal (Managing Director & CEO), Trevor Bourne, Steven Gregg, Bruce Morgan, Barbara Ward and Penny Winn.

The following changes to the composition of the Board have occurred since 1 January 2015:

- Barbara Ward was appointed to the Board as an independent, non-executive director with effect from 1 April 2015.
- The three Chevron-affiliated directors, Richard Brown, Barbara Burger and Ryan Krogmeier, resigned on 2 April 2015 following the divestment by Chevron of its entire shareholding in Caltex.
- Greig Gailey was appointed Deputy Chairman effective from 6 May 2015.
- Steven Gregg was appointed to the Board as an independent, non-executive director with effect from 9 October 2015.
- Penny Winn was appointed to the Board as an independent, non-executive director with effect from 1 November 2015.
- Elizabeth Bryan retired as Chairman from 9 December 2015.
- Greig Gailey was appointed as Chairman from 10 December 2015.

While appointed to the Caltex Board, Mr Brown, Ms Burger and Mr Krogmeier each served as alternate directors for each other.

Following the changes to the Board composition and the appointment of Greig Gailey as Chairman, the Board made changes to the composition of its standing Committees effective from 19 February 2016.

Board profiles

Greig Gailey

Chairman and Independent, Non-executive Director

Date of appointment (Director):
11 December 2007

Date of appointment (Chairman):
10 December 2015

Board committees:
Nomination Committee (Chairman) and attends meetings of the Audit Committee, the Human Resources Committee and the OHS & Environmental Risk Committee in an ex-officio capacity.

Mr Gailey brings to the Board extensive Australian and international oil industry experience, and broad management expertise from industrial and capital-intensive industries.

From 1964 to 1998, he worked at British Petroleum Company (BP), where he held various positions throughout Australia and offshore, including management of refining, supply and distribution in Australia and Europe. Mr Gailey was subsequently appointed CEO of Fletcher Challenge Energy (New Zealand), a position he held from 1998 to 2001. In August 2001, he joined Pasminco Limited as CEO. Pasminco relisted on the ASX as Zinifex Limited in April 2004, and Mr Gailey became Managing Director & CEO of Zinifex Limited from that date until standing down in June 2007.

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

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

Julian Segal

Managing Director & CEO

Date of appointment:
1 July 2009

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

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

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

Board profiles continued

Trevor Bourne

Independent, Non-executive Director

Date of appointment:
2 March 2006

Board committees:
OHS & Environmental Risk Committee (Chairman), Human Resources Committee and Nomination Committee

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

Mr Bourne is Chairman of Senex Energy Limited (appointed 10 March 2015) and a director of Sydney Water Corporation (appointed February 2014). He was previously a director of Origin Energy Limited (from February 2000 to November 2012) and formerly Chairman of Hastie Group Limited (where he served as a director from February 2005 until February 2012).

Mr Bourne holds a Bachelor of Science (Mechanical Engineering) from the University of New South Wales, and a Master of Business Administration from the University of Newcastle, and is a Fellow of the Australian Institute of Company Directors.

Steven Gregg

Independent, Non-executive Director

Date of appointment:
9 October 2015

Board committees:
Audit Committee, OHS & Environmental Risk Committee and Nomination Committee

Mr Gregg has over 30 years of investment banking experience in Australia and overseas and brings to the Board extensive executive, corporate finance, strategy, and mergers and acquisitions experience.

Mr Gregg was previously a partner in the Corporate Finance and Financial Institutions practice at McKinsey & Company in Sydney and overseas. Prior to this, he held various roles with ABN Amro, most recently as Global Head of Investment Banking and CEO, based in the United Kingdom.

Mr Gregg is a director of Challenger Limited, Challenger Life Company Limited, Tabcorp Holdings Limited and William Inglis & Son Limited. He is the Chairman of The Lorna Hodgkinson Sunshine Homes, a trustee of the Australian Museum and a member of the Grant Samuel non-executive advisory board. He has previously served as Chairman of Goodman Fielder Limited and Austock Group Limited.

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

Bruce Morgan

Independent, Non-executive Director

Date of appointment:
29 June 2013

Board committees:
Audit Committee (Chairman), Nomination Committee and OHS & Environmental Risk Committee

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

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

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

Barbara Ward AM

Independent, Non-executive Director

Date of appointment:
1 April 2015

Board committees:
Human Resources Committee (Chairman), Audit Committee and Nomination Committee

Ms Ward brings to the Caltex Board strategic and financial expertise in capital intensive industries. She has over 20 years of experience in senior management roles, including as Chief Executive Officer of Ansett Worldwide Aviation Services and General Manager Finance at TNT Limited. Ms Ward also served as a Senior Ministerial Adviser to the Honourable Paul Keating.

Ms Ward is a director of various Brookfield companies, Qantas Airways Limited and the Sydney Children's Hospital Foundation. An experienced director, she has previously served on the boards of various public companies including the Commonwealth Bank of Australia, Lion Nathan Limited and Multiplex Limited, and public sector entities, including as Chairman of Country Energy.

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

Penny Winn

Independent, Non-executive Director

Date of appointment:
1 November 2015

Board committees:
Human Resources Committee and Nomination Committee

Ms Winn brings to the Board Australian and international strategic, major transformation and business integration, technology and retail marketing experience.

Prior to her appointment to the Caltex Board, Ms Winn was Director Group Retail Services with Woolworths Limited, and she has over 30 years of experience in retail with senior management roles in Australia and overseas.

Ms Winn is Chairman of Port Waratah Coal Services Ltd, a director of CSR Limited and a member of the University of Technology, Sydney (UTS) Business School's Advisory Board. She has previously served as a director of a Woolworths business, Greengrocer.com, a Myer business, sass & bide, and Quantium Group and was a member of the Australian Payments Clearing Association's CECS Advisory Council.

Ms Winn holds a Bachelor of Commerce from the Australian National University and a Master of Business Administration from the University of Technology, Sydney.

Former directors

Elizabeth Bryan AM

Chairman and Independent, Non-executive Director

Ms Bryan was appointed as a director of Caltex from 18 July 2002 and Chairman from 1 October 2007. She retired from the Caltex Board on 9 December 2015. She was Chairman of the Nomination Committee and attended Board Committee meetings in an ex officio capacity.

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

Ms Bryan is Chairman of Virgin Australia Holdings Limited (appointed May 2015), Deputy Chairman of Insurance Australia Group Limited (appointed June 2015) and a director of Westpac Banking Corporation (appointed November 2006). She is a member of the Australian Securities and Investment Commission's Director Advisory Panel and the Takeovers Panel, and serves as a trustee of the Museum of Applied Arts and Sciences.

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

Richard Brown

Non-executive Director

Mr Brown served as a director of Caltex from 28 June 2012 to 2 April 2015. He was a member of the Nomination Committee.

During his time at Caltex, Mr Brown served as Chevron's Regional Finance Officer – Asia Pacific, based in Singapore, where he was responsible for financial and management reporting, credit approval, local cash management, tax matters and risk management for Chevron's operations in the Asia Pacific region. Prior to this role, Mr Brown served as Chevron's General Manager – Finance for Europe, Eurasia and Middle East Opco.

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

Barbara Burger

Non-executive Director

Ms Burger served as a director of Caltex from 28 June 2012 to 2 April 2015. She was a member of the OHS & Environmental Risk Committee and the Nomination Committee.

During her time at Caltex, Ms Burger was the President of Chevron Technology Ventures (CTV), based in Houston, Texas. CTV champions innovation, commercialisation and integration of emerging technologies and related new business models within Chevron; its business units include advanced biofuels, emerging energy technology and venture capital. Prior to this role, Ms Burger was the Vice President – Lubricants Supply Chain and Base Oil for Chevron Lubricants.

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

Ryan Krogmeier

Non-executive Director

Mr Krogmeier served as a director of Caltex from 30 March 2012 to 2 April 2015. He was a member of the Human Resources Committee and the Nomination Committee.

During his time at Caltex, Mr Krogmeier was the Global Vice President of International Products, Joint Ventures and Affiliates for Chevron based in Singapore. Previously, he was the Vice President – Americas East, Caribbean and Latin America for Chevron, a role in which he was responsible for strategy and profits for Chevron's downstream fuels business in those regions.

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

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 52 to 94.

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

Company overview

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

Caltex is one of Australia's leading transport fuel suppliers and convenience retailers and is listed on the Australian Securities Exchange. The head office is based in Sydney, and Caltex has approximately 3,000 employees working across the country. Caltex operates its business as one integrated value chain and incorporates operational excellence principles throughout supply, refining, logistics and marketing.

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

Caltex operates one oil refinery, the Lytton refinery in Brisbane. This refinery produces petrol, diesel and jet fuel, along with small amounts of fuel oil and specialty products, liquid petroleum gas (LPG) and other gases. Caltex also buys refined products on the open market both overseas and locally, and along with the products that Caltex refines, Caltex markets these products across retail and commercial channels. These products are supplied to customers via a network of pipelines, terminals, depots and company-owned and contracted transport fleets.

Chevron previously held a 50% shareholding in Caltex, which was sold in March 2015. The sale was the largest of its kind in Australian corporate history, and the fact that the offer was almost two times oversubscribed is an overwhelming endorsement of Caltex's strategy.

Group strategy

Over the past five years, Caltex has transformed key elements of its business to place the company on a stronger footing to navigate the evolving marketplace and successfully deliver top quartile total shareholder returns. Critical components of this transformation include:

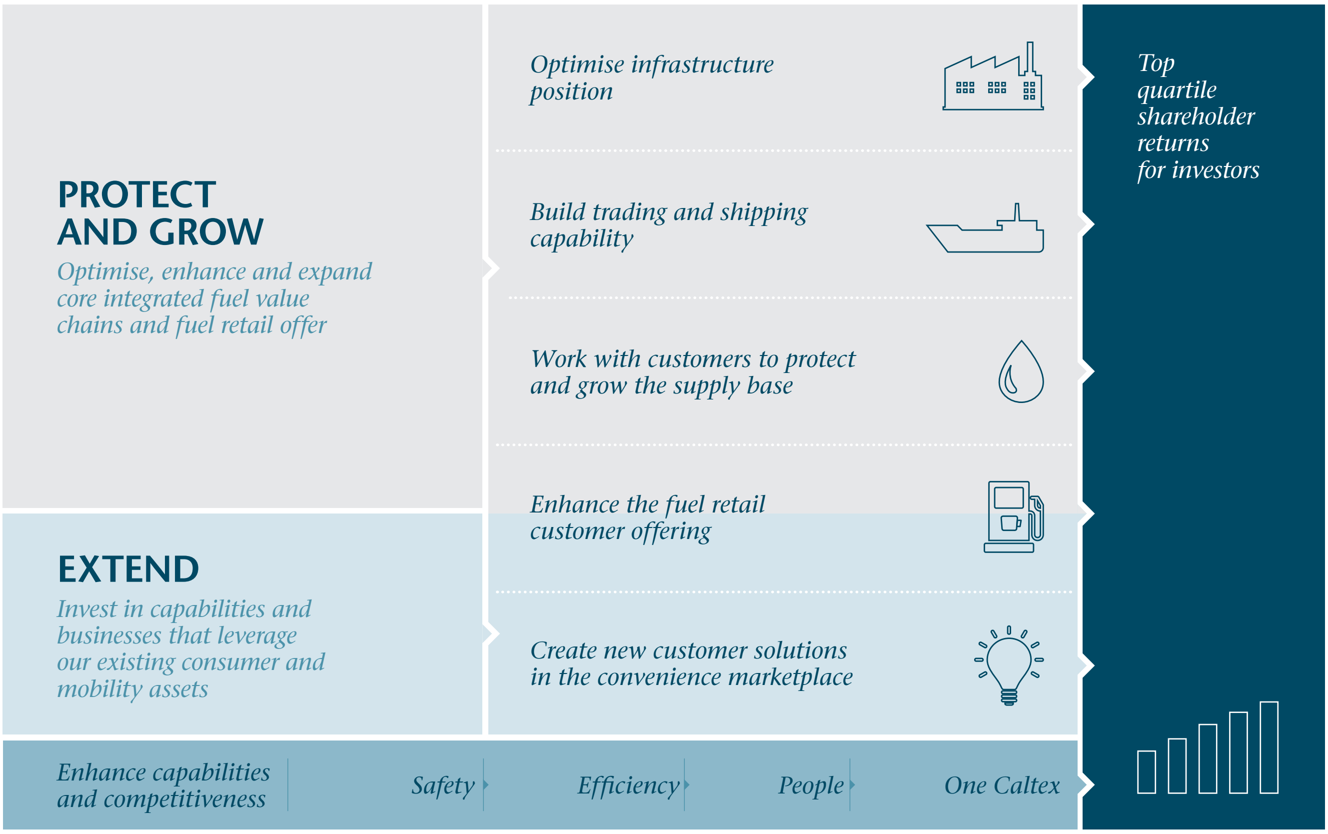
- the closure of the Kurnell refinery and its conversion to a major import terminal
- the establishment of the Ampol Singapore business, to directly manage sourcing and associated shipping of petroleum products to Australia
- implementation of "Tabula Rasa", a company-wide cost and efficiency program
- a major maintenance program at Lytton refinery, to underpin cost and performance improvements
- investment in further building out our retail network.

To date, our strategy has delivered strong results for the business and continues to position us to retain leadership in transport fuels in Australia, with a stronger retail convenience platform.

Our 2015 review of strategy builds on Caltex's core competitive advantage provided by the strength of our integrated fuel value chain across supply, infrastructure, network and the retail and business-to-business channels. It also looks to continue to adapt the business to drive growth in a changing industry and consumer environment.

The "Protect and Grow" aspect of the strategy outlined on the next page is focused on capturing the many opportunities that exist to continue to enhance and expand the core fuel business. In the "Extend" aspect of the strategy, Caltex will build on its current assets, capabilities and customer base to develop the business in both existing and new adjacent markets.

Caltex's strategy – overview



Assessing each element in turn

Optimise infrastructure position	Maintain a relentless focus on a cost-competitive supply chain through excellence in infrastructure and refinery management and being proactive in adapting to changing market dynamics and pursuing new infrastructure opportunities.
Build trading and shipping capability	Continue to develop and expand the capabilities and operations of Ampol to capture opportunities for value creation in sourcing and delivering product.
Protect and grow supply base	Execute organic and inorganic strategies to increase marketing volumes in target regions to support long term infrastructure investment and competitive supply.
Enhance the fuel retail customer offering	Continue to develop elements of the fuel site retail offer which will attract more customers to Caltex sites and increase their spend while there.
Create new customer solutions in the convenience marketplace	Leverage Caltex's existing strong consumer facing business, including our network of over 800 retail sites and over three million weekly customer visits, to build a new and differentiated convenience offer for customers across multiple formats, products, locations and channels.

All of these elements of strategy are underpinned by a strong focus on continually enhancing Caltex's capabilities and competitiveness through:

- Safety – systematically managing both personal and process safety across the business to drive towards zero injuries and environmental harm.
- Efficiency – continuing to drive down costs and utilise assets more efficiently to ensure an industry-leading cost structure.
- People – continuing to invest in our people to strengthen organisational capability and agility.
- One Caltex – embedding a culture of delivering the best outcome for Caltex, through active collaboration across the business and a focus on optimal organisational, rather than business unit, outcomes.

Through the strategies outlined above, Caltex is committed to growing earnings by capturing opportunities across all elements of its existing business, as well as through extending into adjacent areas.

In pursuing this clear growth agenda in both the "Protect and Grow" and "Extend" aspects of the business strategy, Caltex will continue to assess potential acquisitions. These will only be pursued, however, where the strategic rationale is compelling and they deliver appropriate risk adjusted returns for shareholders.

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

Operating and financial review continued

Caltex Group results 31 December 2015

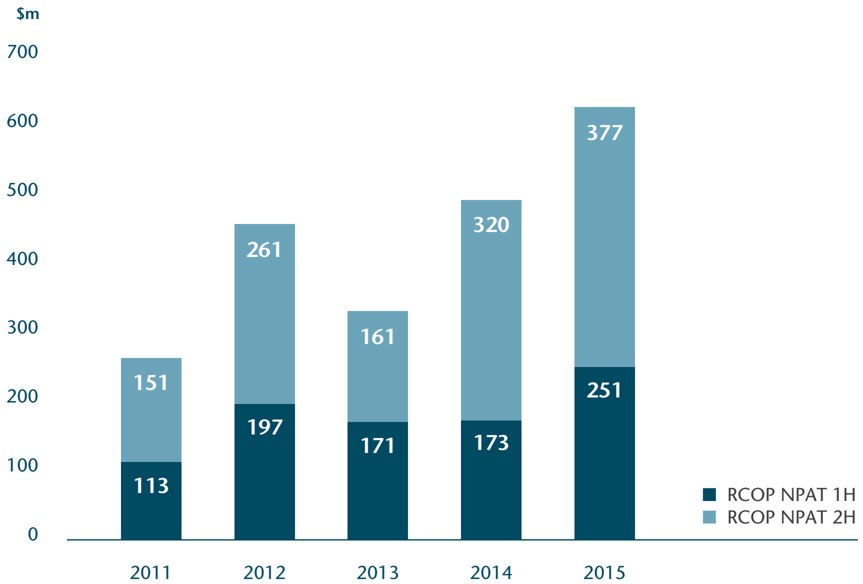
On an historical cost profit basis, Caltex recorded an after-tax profit of $522 million for the 2015 full year, including a gain relating to significant items of $29 million after tax. This compares with the 2014 full year profit of $20 million, which included a loss relating to significant items of $112 million after tax. The 2015 result includes a product and crude oil inventory loss of $135 million after tax. The 2015 total inventory loss of $135 million compares with an inventory loss of $361 million after tax in 2014.

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	2015 $m (after tax)	2014 $m (after tax)
Net profit attributable to equity holders of the parent entity	522	20
Deduct/add: Significant items (gain)/loss	(29)	112
Deduct/add: Inventory loss	135	361
RCOP NPAT (excluding significant items)	**628**	**493**

On an RCOP[1] basis, Caltex recorded an after-tax profit for the 2015 full year of $628 million, excluding significant items. This compares with an RCOP after-tax profit of $493 million for the 2014 full year, excluding significant items.

Caltex RCOP NPAT



The overall result reflects a strong Supply and Marketing profit, and excellent operational performance enabled the Lytton refinery to take advantage of strong refiner margins. Production was adversely impacted by the planned major maintenance carried out during the year.

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

Dividend

The Board has declared a final dividend of 70 cents per share (fully franked) for the second half of 2015. Combined with the interim dividend of 47 cents per share for the first half, paid in September 2015, this equates to a total dividend of 117 cents per share for 2015, fully franked. This compares with a total dividend payout of 70 cents per share (fully franked) for 2014. This is in line with a target dividend payout ratio of 40-60% of RCOP NPAT.

Income statement

For the year ended 31 December 2015	2015 $m	2014 $m
1. Total revenue[1]	20,019	24,232
2. Total expenses[2]	(19,042)	(23,437)
Replacement cost earnings before interest and tax	**977**	**795**
Finance income	5	8
Finance expenses[3]	(82)	(99)
3. **Net finance costs**	**(77)**	**(91)**
Income tax expense[4]	(272)	(211)
Replacement cost of sales operating profit (RCOP)	**628**	**493**
4. Significant items gain/(loss) after tax	29	(112)
5. Inventory loss after tax	(135)	(361)
Historical cost net profit after tax	**522**	**20**
Interim dividend per share	47c	20c
Final dividend per share	70c	50c
Basic earnings per share		
• Replacement cost (excluding significant items)	233c	183c
• Historical cost (including significant items)	193c	7c

1. Includes other income of $24 million (2014: $1 million) less the significant item gain of $32 million (2014: nil).
2. Excludes significant item loss of nil (2014: $140 million).
3. Excludes significant item loss of nil (2014: $20 million).
4. Excludes tax benefit on inventory loss of $58 million (2014: $155 million tax benefit) and excludes tax cost on significant items of $3 million (2014: $48 million tax benefit).

DISCUSSION AND ANALYSIS – INCOME STATEMENT

1. Total revenue ▼ 17%	Total revenue decreased primarily due to the impact of the significant fall in world crude oil prices and product prices which are denominated in US dollars. This decline was partly offset by the fall in the Australian dollar. The weighted average Brent crude oil price in 2015 was US$51/bbl, compared to US$101/bbl in 2014.
2. Total expenses – replacement cost basis ▼ 19%	Total expenses also decreased primarily as a result of lower replacement cost of goods sold due to the lower price of refined product.

Operating and financial review continued

DISCUSSION AND ANALYSIS – INCOME STATEMENT CONTINUED

RCOP EBIT BREAKDOWN[1]

Caltex Refiner Margin (CRM) **$757m**	CRM represents the difference between the cost of importing a standard Caltex basket of products to eastern Australia and the cost of importing the crude oil required to make that product basket. The CRM calculation basically represents: average Singapore refiner margin + product quality premium + crude discount/(premium) + product freight – crude freight – yield loss. US dollar CRM was higher in 2015 at US$16.46/bbl, compared with US$12.42/bbl for 2014. In AUD terms, the CRM was 13.85 Australian cents per litre in 2015, compared with 8.70 Australian cents per litre in 2014. Total refinery production in 2015 of all products was 5.6 billion litres compared with 10.2 billion litres in 2014, reflecting the closure of the Kurnell refinery and its conversion to terminal operations in October 2014.
Transport fuels margin **$999m**	Transport fuels comprise petrol, diesel and jet. The transport fuels margin consists of the earnings on these products within the Supply and Marketing segment and represents the integrated sourcing, distribution and sales margin. Premium fuel sales were 4.3 billion litres in 2015, in line with 2014. Caltex's overall transport fuel sales volumes declined 5% compared to the prior year. Total retail diesel margins have continued to grow strongly, driven by increased sales of the premium diesel product, Vortex Diesel, and as a result of growth in the diesel vehicle market. The decrease in transport fuel sales volumes reflected a decrease in base grade fuel sales and jet sales. However, premium petrol sales volumes continue to grow, with Vortex Premium Unleaded petrol sales volumes increasing 4%. The ongoing decline in regular unleaded petrol sales is due to the continued increase in sales of vehicles requiring diesel or premium grades of petrol. Jet volumes declined 5% off a strong prior corresponding period volume performance, driven by reduced domestic capacity and the shedding of unprofitable volume. Diesel fuel volumes decreased approximately 5%, and include impact of timing of a major supply contract loss and the commencement of a new larger long term supply contract.
Lubricants and specialties margin **$65m**	Lubricants and specialties products include finished lubricants, base oils, liquefied petroleum gas, petrochemicals, wax and marine fuels. Specialty products fell in 2015, mainly driven by a decline in fuel oil sales and a reduction in sales of gases following the closure of the Kurnell refinery. Lubricants volumes also declined in a competitive market.
Non-fuel income **$184m**	Non-fuel income includes convenience store income, franchise income, royalties, property, plant and equipment rentals, StarCard income and share of profits from distributor businesses. Non-fuel income is in line with the prior year.
Operating expenses **($941m)**	Operating expenses in this caption include Supply Chain, Marketing and Corporate operating expenditure. The major drivers of the operating expenses decrease of $204 million are: • Kurnell transformation from refinery to terminal for full year 2015; • good control and low inflationary environment; and • partially offset by higher Corporate costs supporting capability developments, growth initiatives and higher bonuses in line with higher RCOP NPAT result.
Other **($87m)**	Other includes a number of miscellaneous items that typically include: foreign exchange impacts, other refining gross margin impacts, gain/loss on disposal of assets and subsidiary earnings. The most significant component was the net foreign exchange loss of $26 million (after hedging).
RCOP EBIT excluding significant items **$977m**	

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

DISCUSSION AND ANALYSIS – INCOME STATEMENT CONTINUED

3. Net finance costs **▼ 16%**	Net finance costs decreased by $14 million compared with 2014, reflecting the lower cost of funding as a result of the composition of borrowings and lower average net debt for the period.
4. Significant items after tax **▼ $141m**	During 2015, the Group recognised a significant item gain of $32 million ($29 million after tax) on the sale of a surplus property in Western Australia. During 2014, the Group incurred significant item losses of $112 million after tax in relation to the Group's cost and efficiency review. These significant items related to redundancy expenses, contract cancellation costs, consulting fees and asset rationalisation costs.
5. Inventory losses after tax **▼ $226m**	Inventory losses in 2015 were driven by the significant decrease in crude oil prices in the second half of 2015, with crude oil falling from US$62/bbl in June 2015 to US$38/bbl in December 2015. This decrease resulted in a net inventory loss of $102 million after tax, compared to inventory losses of $361 million after tax in 2014. Included in the 2015 inventory loss is a write-down of inventory on hand at year end of $34 million after tax to its net realisable value, due to the continued decline in crude oil prices in January 2016. Similarly, the 2014 inventory loss included a write-down of inventory on hand at year end of $82 million after tax to its net realisable value, due to the continued decline in crude oil prices in January 2015.

Business unit performance

Supply & Marketing

Supply & Marketing delivered an EBIT of $672 million. This result includes a realised loss on US dollar denominated product payables of $26 million (2014 loss of $26 million) less a price timing lag gain of $23 million (versus a 2014 price timing lag gain of $102 million). Excluding these net externalities (net $3 million unfavourable), the underlying Supply & Marketing EBIT of $675 million, is up 5% on the 2014 result.

Sales volumes are 5% below last year, reflecting lower diesel demand as a number of LNG projects near completion and the timing of some major supply contracts. Caltex has vigorously defended contract volumes in 2015 and secured new supply volumes in 2016. From a product mix perspective, Caltex continues to drive premium fuels sales (including Vortex Diesel). Higher sales of premium grades of petrol and retail diesel continue to offset the long term decline in demand for unleaded petrol, including E10. The increased penetration of premium Vortex products has been driven by targeted investment in growth, including new retail service stations, the refurbishment of existing service stations and increased marketing spend.

Lytton Refinery

The Lytton Refinery has delivered a record 2015 EBIT contribution of $406 million. This compares with an EBIT contribution of $218 million for 2014 and a 2015 first half EBIT of $134 million. The 2015 result has benefitted from a strong operating performance following Lytton refinery's major first half Turnaround & Inspection (T&I) that has enabled the refinery to take advantage of these favourable conditions. This result also includes T&I related supply costs of $23 million (including $20 million previously allocated to Supply and Marketing within the first half results).

The realised Caltex Refiner Margin (CRM) averaged US$16.46/ bbl for the 2015 full year. This compares to the first half 2015 average of US$16.00/bbl and the 2014 full year (US$12.42/bbl). A strong Singapore Weighted Average Margin has been boosted by lower crude premiums, yield loss and net freight costs, year on year. The lower than forecast December average Dated Brent crude oil price of US$38.21/bbl favourably impacted the refiner margin compared with that assumed in the 17 December 2015 profit outlook (US$40/bbl).

Corporate

Corporate costs increased to $102 million. This is higher than 2014 ($81 million), reflecting an increased investment in technology and new capabilities, including business development, and higher bonuses accrued in relation to the strong 2015 financial performance.

Balance sheet remains strong

Net debt at 31 December 2015 was $432 million compared with $715 million at 30 June 2015 and $639 million at 31 December 2014. The lower debt reflects stronger second half earnings, disciplined capital expenditures, and the net impact of lower crude prices and a lower Australian dollar on working capital balances.

Capital Management – Off-Market Buy-Back

Caltex has previously indicated that it was focussing on the efficient allocation of capital. The successful closure of the Kurnell refinery in 2014 and the company's continued evolution into an integrated transport fuels value chain business, enhanced by the company's ongoing cost and efficiency program, has resulted in significantly improved cash flows. Today, Caltex is pleased to announce its intention to conduct a $270 million off-market share buy-back, which is expected to be completed during the second quarter of 2016.

The company's overarching objective is to deliver top quartile Total Shareholder Returns. Our capital management framework is therefore designed to provide a balanced approach to the allocation of capital between maintenance to ensure a safe and sustainable business, investing for growth and returning capital to shareholders. The size of the buy-back will enable the return of surplus capital relative to the company's target BBB+ credit rating, and maintain financial flexibility to take advantage of growth opportunities as they arise. Management continues to actively pursue options to grow the business based on our core capabilities including management of complex supply chains, infrastructure services and leveraging our convenience and mobility base. Our priority remains growth, but over time, both investment in growth opportunities and capital management are expected to play a role in delivering top quartile shareholder returns.

Operating and financial review continued

Business unit performance continued

Capital Management – Off-Market Buy-Back continued

All of the relevant details of the Buy-Back will be set out in a booklet which Caltex shareholders should start to receive from 3 March 2016. A summary of the buy-back details, including the proposed timetable, are contained in the 2015 Full Year Results investor presentation.

Shareholders should seek advice as to the taxation consequences for them of participating in the Buy-Back. As the Buy-Back will have different tax consequences for different shareholders, each shareholder's decision to participate will be determined by their own personal circumstances. In some circumstances (particularly those shareholders who are on a low marginal tax rate), selling their Shares under the Buy-Back may be more advantageous to selling their Shares on market.

Balance sheet

As at 31 December 2015	2015 $m	2014 $m	Change $m
1. Working capital	524	542	(18)
2. Property, plant and equipment	2,603	2,364	239
3. Intangibles	183	188	(5)
4. Net debt	(432)	(639)	207
5. Other non-current assets and liabilities	(90)	78	(168)
Total equity	2,788	2,533	(255)

DISCUSSION AND ANALYSIS – BALANCE SHEET

1. Working capital ▼ $18m

The decrease in working capital is primarily due to lower inventory balances due to the fall in crude oil and product prices. The decrease is partially offset by:

- lower payables, partially offset by lower receivables, due to the fall in crude oil and product prices in 2015, net of the impact of the lower Australian dollar, and
- a decrease in current redundancy and environmental provisions during 2015.

2. Property, plant and equipment ▲ $239m

The increase in property, plant and equipment is due to capital expenditure and accruals, including major cyclical maintenance, of $437 million. This is partly offset by depreciation of $178 million and disposals of $20 million.

3. Intangibles ▼ $5m

The decrease in intangibles is due to the impairment of software of $12 million, partially offset by the acquisition of goodwill and intangibles from Hawkins Fuels of $5 million and the acquisition of software of $16 million, less depreciation of $14 million.

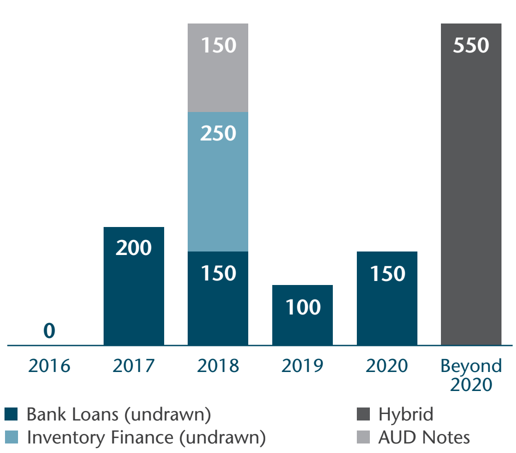
4. Net debt ▼ $207m

Net debt decreased by $207 million to $432 million at 31 December 2015. Caltex's gearing at 31 December 2015 (net debt to net debt plus equity) was 13.4%, decreasing from 20.2% at 31 December 2014. On a lease-adjusted basis, gearing at 31 December 2015 was 27.8% compared with 34.2% at 31 December 2014.

CURRENT SOURCES OF FUNDING

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

DEBT MATURITY PROFILE



5. Other non-current assets and liabilities ▼ $168m

Other net non-current liabilities have decreased primarily due to utilisation of deferred tax assets resulting from timing differences between the accounting and tax basis of inventory, provisions, and property, plant and equipment.

Cash flows

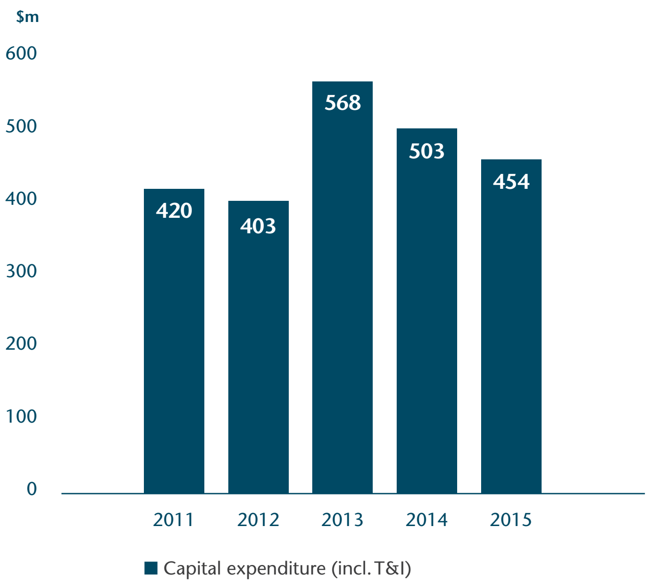
For the year ended 31 December 2015	2015 $m	2014 $m	Change $m
1. Net operating cash inflows	885	662	223
2. Net investing cash outflows	(411)	(476)	65
3. Net financing cash outflows	(263)	(333)	70
Net increase/(decrease) in cash held	211	(147)	358

DISCUSSION AND ANALYSIS – CASH FLOWS	
1. Net operating cash inflows ▲ $223m	The increase in net cash inflows from operating activities is primarily due to lower fuel excise payments, lower borrowing costs and lower tax payments.
2. Net investing cash outflows ▲ $65m	The decrease in net investing cash outflows is due lower payments for property, plant and equipment, partially offset by higher proceeds from the sale of assets.
3. Net financing cash outflows ▲ $70m	The net financing outflow in 2015 arose from dividend payments. Net proceeds/repayment of borrowing was nil, as there were no drawdowns or repayment of fixed borrowings in the period. The net financing outflow in 2014 arose from dividend payments and the repayment of US private placement facilities.

Capital expenditure

Capital expenditure in 2015 totalled $454 million. Excluding major turnaround and inspection (T&I) spending of $91 million, capital expenditure was $363 million. Capital expenditure in 2016 is expected to range between $370 million and $420 million.

Caltex capital expenditure



Business outlook and likely developments

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

Overview

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

The Lytton refinery will continue to focus on capturing further operational and margin improvements.

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

Operating and financial review continued

Business outlook and likely developments continued

Supply and Marketing

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

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

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

The company's infrastructure enables Caltex to supply product to customers safely and reliably. It is this sustained investment in infrastructure that has enabled Caltex to attain the outright leadership in transport fuels across Australia.

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

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

Lytton

The Lytton refinery is now Caltex's sole refinery. Caltex will continue to maintain an ongoing focus on capturing further operational and margin improvements at Lytton.

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

Business risks and management

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

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

The Board and the OHS & Environmental Risk Committee also receive quarterly risk updates throughout the year.

Caltex Refiner Margin

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

The CRM can be negatively impacted by a range of factors:

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

Commodity price risk

Caltex is exposed to the risk of both crude and finished product price movements, as these impact Caltex's earnings and cash flows. Caltex seeks, through policy, to neutralise adverse basis and timing risk brought about by purchase and sales transactions that are materially outside the normal operating conditions of Caltex. Caltex's policy has been not to hedge refiner margins. However, given the unusual strength in regional refiner margins during 2015, Caltex hedged a portion of its third quarter 2015 refiner margins in order to support near term earnings. Caltex utilises both crude and finished product swap contracts from time to time, on specific cargoes, to manage the risk of price movements (basis and timing).

Foreign exchange

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

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

Caltex has implemented a foreign exchange hedging policy of 80% of Caltex's US dollar denominated crude and product payables exposure (after applying natural hedges). The instruments used to manage foreign exchange risk expose Caltex to fair value foreign exchange rate risk and counterparty risks. Exposure limits are set on each counterparty to ensure that Caltex is not exposed to excess risks.

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

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

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

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

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

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

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

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

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

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

Events subsequent to the end of the year
Joanne Taylor was appointed Executive General Manager, Human Resources effective 5 February 2016. Mr Willshire will retire from the company effective 30 April 2016.

On 23 February 2016, the Group announced its intention to conduct a $270 million off-market share buy-back, which is expected to be completed during the second quarter of 2016.

There were no other items, transactions or events of a material or unusual nature, that, in the opinion of the Board, are likely to significantly affect the operations of Caltex, the results of those operations or the state of affairs of the Group subsequent to 31 December 2015.

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

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

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

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

In 2015, Caltex made its seventh 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 is a signatory to the Australian Packaging Covenant, with 100% compliance among Caltex product suppliers and 40% of current packing reviewed using the Sustainable Packaging Guidelines.

Compliance with environmental regulations
A total of 19 environmental protection licences were held by companies in the Caltex Group in 2015 in respect of one refinery site, 12 terminals, three marketing facilities and three aviation refuelling facilities.

Environmental regulations continued

Compliance with environmental regulations continued

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 OHS & Environmental Risk Committee and senior management.

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

In terms of environmental infringements in 2015, Caltex's Kurnell terminal:

- received one penalty infringement notice of $1,000 from the NSW Environment Protection Authority (NSW EPA) relating to the delay in publishing monitoring data, and
- entered into an Enforceable Undertaking with the NSW EPA to provide $120,000 to a number of local environmental programs as a result of a water pollution incident which occurred when the Kurnell refinery was still operational. During heavy rain on 24 March 2014, oily water was discharged from the refinery into Botany Bay.

Caltex has pleaded guilty to a Tier 1 offence under the *Protection of the Environment Operations Act 1997* in respect of a loss of containment into a tank bund at Caltex's Banksmeadow Terminal in July 2013. Those proceedings were commenced by the NSW EPA in 2014 and the matter is currently before the Court for a determination on penalty. Caltex has entered into an Enforceable Undertaking (EU) with SafeWork NSW in relation to the same incident, and the details of the EU are published below.

Additionally, the Queensland Department of Environment and Heritage Protection commenced proceedings against Caltex for two separate incidents described below:

- The first involved breaches of Caltex's licence conditions and failing to carry out certain activities with respect to a trackable waste, being residual ethyl mercaptan contained in some redundant vessels which were being disposed of. Ethyl mercaptan is an odourant used to give LPG its characteristic smell. Caltex had engaged a specialist independent contractor to handle this task. Caltex pleaded guilty and was fined $40,000. In separate proceedings, Caltex's specialist waste contractor was also fined.
- The second related to the release of catalyst dust (fine, inert sand-like material) from the Lytton refinery's Fluidised Catalytic Cracker Unit (FCCU) during a unit restart in May 2014. During this restart, sudden changes in the system pressure resulted in 80-90 tonnes of regenerated catalyst dust loss to the atmosphere through the unit stack. Caltex pleaded guilty and was fined $20,000.

Caltex regrets that the above incidents occurred and, in each case, undertook a detailed investigation into the causes and has taken positive steps to minimise the risk of re-occurrence.

Notice of Acceptance of an Enforceable Undertaking under Part 11 of the Work Health and Safety Act 2011

On 12 July 2013, 157,205 litres of unleaded petrol was released from a storage tank into a purpose built bund at Caltex Australia Petroleum Pty Ltd's (ABN 17 000 032 128) (Caltex) premises at the Banksmeadow Terminal (BMT) during a planned transfer from the water draw valve of the storage tank. Two workers involved in the transfer were taken to hospital and discharged shortly afterwards.

SafeWork NSW investigated the incident and subsequently alleged that Caltex contravened section 19 of the *Work Health and Safety Act 2011* (WHS Act).

This notice has been placed under the terms of an Enforceable Undertaking and acknowledges acceptance of an undertaking that is enforceable under the WHS Act, from Caltex, as settlement of the above mentioned alleged contravention.

The undertaking requires the following actions:

- Continue to progress various internal work health and safety initiatives relating to Caltex's "Permit to Work System", emergency management training and hazard identification training.
- Fund the training of five fire fighters at Fire and Rescue NSW (FRNSW) in relation to advanced petroleum fire-fighting in Texas, Houston, USA.
- Fund the provision of an online training program for FRNSW in relation to responding to fires and other emergency events at petrochemical facilities.
- Continue discussions in good faith with FRNSW with a view to agreeing to a principles of agreement in relation to the operation of a live fire training facility at the Caltex Kurnell Terminal by FRNSW.
- Invest in the development of a mobile application in relation to contractor management that will be available free of charge to all businesses across Australia in any industry.
- Provide webinar training to small to medium enterprises that manage the use of petrochemicals in relation to management of organisational change, drug and alcohol programs, process safety key performance indicators (KPIs) and implementing Global Harmonisation System requirements.

Any incident of this nature occurring on one of the company's sites is a matter of regret, especially given Caltex's longstanding commitment to work health and safety. As a responsible local employer and business, we apologise for the disturbance caused to the Botany community immediately following the incident. We focus every day on continuously improving every aspect of our operations to ensure that we meet our own expectations and those of the community.

The full undertaking and general information about Enforceable Undertakings is available at www.safework.nsw.gov.au.

Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 49 and forms part of the Directors' Report for the financial year ended 31 December 2015.

Remuneration Report

The directors of Caltex Australia Limited present the Remuneration Report prepared in accordance with section 300A of the *Corporations Act 2001* (Cth) (*Corporations Act*) for the Caltex Group for the year ended 31 December 2015.

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

1. Remuneration snapshot

1a. Key Management Personnel (KMP)

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

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

Current Non-executive Directors	
Greig Gailey	Chairman and Independent, Non-executive Director [i]
Trevor Bourne	Independent, Non-executive Director
Steven Gregg	Independent, Non-executive Director *(appointed 9 October 2015)*
Bruce Morgan	Independent, Non-executive Director
Barbara Ward	Independent, Non-executive Director *(appointed 1 April 2015)*
Penny Winn	Independent, Non-executive Director *(appointed 1 November 2015)*
Former Non-executive Directors	
Elizabeth Bryan	Chairman *(to 9 December 2015)* [ii]
Richard Brown	Non-executive Director *(to 2 April 2015)* [iii]
Barbara Burger	Non-executive Director *(to 2 April 2015)* [iii]
Ryan Krogmeier	Non-executive Director *(to 2 April 2015)* [iii]
Current Senior Executives	
Julian Segal	MD & CEO
Andrew Brewer	Executive General Manager, Supply Chain Operations
Simon Hepworth	Chief Financial Officer
Peter Lim	Executive General Manager, Legal & Corporate Affairs
Adam Ritchie	Executive General Manager, Supply *(appointed 1 April 2015)*
Bruce Rosengarten	Executive General Manager, Commercial
Simon Willshire	Executive General Manager, Human Resources

Notes:

(i) Mr Gailey was appointed Chairman effective from 10 December 2015.

(ii) Ms Bryan retired from the Board on 9 December 2015.

(iii) Mr Brown, Ms Burger and Mr Krogmeier were Chevron employees appointed to the Caltex Board. They resigned from the Caltex Board following Chevron's sale of its shareholding in Caltex.

Changes to KMP since the end of the financial year

Joanne Taylor was appointed Executive General Manager, Human Resources effective 5 February 2016.

Mr Willshire will retire from the company effective 30 April 2016.

Remuneration Report continued

1. Remuneration snapshot continued

1b. Summary of 2015 remuneration arrangements for Senior Executives

VISION
To remain the outright leader in transport fuels across Australia

KEY MEASURE OF SUCCESS
To safely and reliably deliver top quartile shareholder returns

REMUNERATION PRINCIPLES

Alignment with shareholders' interests	Performance focused and differentiated	Market competitive

REMUNERATION COMPONENTS

Fixed remuneration
- Consists of base salary, non-monetary benefits and superannuation.
- Desired positioning is market median against a peer group of companies that are comparable in terms of both size and complexity.

See section 3a for further detail.

Short term incentive (STI)
- Based on 12 month company, department and individual performance objectives which are linked to the achievement of the annual business plan.
- Only payable if 80% of RCOP NPAT is achieved.

See section 3c for further detail.

Long term incentive (LTI)
- Performance rights are granted which vest subject to the achievement of service conditions and performance conditions over a three year period.
- Performance measures are relative total shareholder return (TSR) against S&P ASX 100 companies (75%) and a strategic growth measure (25%).
- All participants are required to hold 25% of vested shares for an additional four years if their Caltex shareholding is below 100% of their base salary.
- Clawback applies to unvested LTI awards.

See sections 3d and 3e for further detail.

1c. Senior Executive remuneration outcomes in 2015

REMUNERATION COMPONENT	OUTCOME
Fixed remuneration	As foreshadowed in the 2014 Remuneration Report, base salaries for Senior Executives increased by an average of 10%. These increases were determined by the Board, based on recommendations to the Human Resources Committee by an independent remuneration consultant. These increases shifted Senior Executive fixed remuneration levels closer to our desired market positioning of the median of our chosen peer group and compensated Senior Executives for prior years' pay restraint.
STI	RCOP NPAT performance in 2015 was 134% of target and the average 2015 STI award for Senior Executives was 146% of target. This outcome demonstrates the strong alignment between STI payments and profit outcomes.
LTI	**2012:** The 2012 LTI grant was subject to the achievement of two relative TSR measures. 75% of the grant was assessed against S&P/ASX 100 companies and 25% of the grant was assessed against a group of six international refining and marketing companies. This grant had a performance period from 1 January 2012 to 31 December 2014. Over the 2012-2014 performance period, Caltex's share price increased from $11.09 to $34.21 and its TSR was 256%. This placed Caltex at the 95.8th percentile against S&P/ASX 100 companies and at the 66.7th percentile against the selected group of international refining and marketing companies. As a result, 88.9% of the 2012 grant vested in April 2015, with the remaining 11.1% lapsing. Actual LTI earned by Senior Executives in 2015 reflects this strong performance and is aligned with the shareholder experience. **2013:** The 2013 LTI grant was subject to the achievement of relative TSR against S&P/ASX 100 companies (60%), free cash flow (20%) and a mix of strategic measures (20%). This grant had a performance period from 1 January 2013 to 31 December 2015. Over the 2013-2015 performance period, Caltex's share price increased from $19.21 to $37.70 and its TSR was 200%. This placed Caltex at the 82nd percentile against S&P/ASX 100 companies. We also achieved 97.9% of our free cash flow target and the Board determined that performance against the strategic measures was almost at stretch performance (allowing 95.75% of this tranche to vest). As a result, 80.49% of the 2013 grant will vest on 1 April 2016 and the remaining 19.51% will lapse. No clawback occurred in respect of the LTI in 2015.

1d. Summary of 2015 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, other than the Nomination Committee where no additional fee is paid. In FY15, the Chairman's fee and Non-executive Director base fees increased by 3%.

For FY15, superannuation contributions were made at a rate of 9.5%. Superannuation was not paid for overseas directors and no additional retirement benefits are paid.

Fees paid to Non-executive Directors are subject to a maximum annual Non-executive Director fee pool of $2,250,000 (including superannuation). This fee pool was approved by shareholders at the 2015 AGM.

See sections 4a and 4b for further detail.

Remuneration Report continued

1. Remuneration snapshot continued

1e. Outlook for FY16 (unaudited)

In 2015, the Board commissioned a review of the executive variable pay arrangements which was undertaken by PricewaterhouseCoopers. The review found that our remuneration arrangements were fit for purpose. Accordingly, the FY16 remuneration arrangements for Senior Executives will remain largely consistent with FY15.

Key changes to remuneration arrangements in FY16 are outlined below:

CHANGE	COMMENTARY
Share retention arrangements	The share retention arrangements (that were introduced in 2013) will first apply to LTI awards that vest in April 2016. The share retention arrangements for the 2013, 2014 and 2015 awards require 25% of vested shares to be held for an additional four years (following the end of the three year performance period). These arrangements were implemented to require executives to build up and maintain more sizeable shareholdings in Caltex over a longer period of time and corresponded with the removal of our short term incentive deferral arrangements. As the purpose of the share retention arrangements is to create alignment between executives and shareholders, the Board determined that for the 2016 awards (which potentially vest in April 2019) and future awards, the share retention arrangements would no longer apply if the executive holds 100% of their base salary in Caltex shares in the month prior to the vesting date.
MD & CEO remuneration	The Board determined to freeze the fixed remuneration of the MD & CEO in 2016 and instead to direct his pay increase into the STI, which is subject to the achievement of rigorous performance conditions. The MD & CEO's target STI opportunity will increase from 50% to 60% of base salary and his stretch STI opportunity will increase from 100% to 120% of base salary. The Board determined that this was appropriate given: • advice from Aon Hewitt, the Human Resources Committee's independent remuneration adviser, indicated that target STI opportunities for MD & CEOs in our peer group were typically around 90-100% of fixed remuneration and were typically higher (in percentage terms) than other members of the leadership team, and • the increase in the STI opportunity brings the MD & CEO's target STI and total target remuneration closer to the median of the customised peer group that is used for benchmarking purposes. See section 3a for further information on the peer groups used.
Senior Executive remuneration	Excluding the MD & CEO and the EGM Supply Chain Operations, Senior Executive remuneration will increase on average by 2.26% in April 2016. As noted above, the MD & CEO's fixed remuneration was frozen for 2016. The EGM Supply Chain Operations will receive a fixed remuneration increase of 13.6%. This restrained level of average base salary increase is below forecast market movement and is below the budgeted salary increase which will apply to the majority of Caltex employees. These increases were determined by the Board, upon the recommendation of the Human Resources Committee, taking into account the market data, forecast market movements, and the remuneration recommendations made by Aon Hewitt, and the Senior Executive's performance over the year. The larger remuneration increase awarded to the EGM Supply Chain Operations was determined to be appropriate by the Board taking into account the market data, his strong performance and strategic contribution, and internal relativities to his peers.
Non-executive Director fees	Non-executive Director base fees will increase by 2.8% in January 2016. The Board determined that this pay increase was appropriate taking into account the market data, forecast market movements, and the remuneration recommendations made by Aon Hewitt. Committee fees will remain unchanged.
Non-executive Director fee pool	Shareholder approval will be sought at the 2016 Annual General Meeting to increase the Non-executive Director fee pool by $250,000 or 11.11% to $2.5 million. This will enable Caltex to maintain an appropriate reserve to effect Board and Committee succession in an orderly manner.

2. Oversight and external advice

2a. Board and Human Resources Committee

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

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

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

Further information about the role of the Board and the Human Resources Committee 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 by the Board 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 & CEO and Senior Executives is either initiated directly, or approved by, the Human Resources Committee, and these specialists are directly engaged by the Human Resources Committee Chairman.

During 2015, Caltex received "remuneration recommendations" (as defined in the *Corporations Act*) from Aon Hewitt in relation to Non-executive Director fees and the remuneration for the MD & CEO and other Senior Executives.

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

The fee paid to Aon Hewitt for the above remuneration advice and recommendations was $31,800 excluding GST. Aon Hewitt also provided additional services (Finance and HR related) to Caltex over 2015. The fee for these additional services was $110,981 excluding GST.

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 top quartile shareholder returns. The guiding philosophy for how Caltex rewards Senior Executives and all other employees is outlined below:

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

Alignment with strategy

Both the short term and long term incentive plan are directly aligned to the company's strategy.

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

Long term incentives are directly aligned to the company's key measure of success, being to safely and reliably deliver top quartile shareholder returns. The company's secondary strategic growth measures focus the Senior Executives on the most important initiatives that need to be executed to support top quartile shareholder returns. Further detail on these measures is outlined in section 3d.

Remuneration Report continued

3. Senior Executive remuneration continued

3a. Remuneration philosophy and structure continued

Market positioning and peer groups

In order to be able to attract and retain key talent, and drive strong performance, 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 outstanding performance. For 2016, the customised peer group consisted of 19 companies that are broadly of comparable size and complexity and who 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:

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

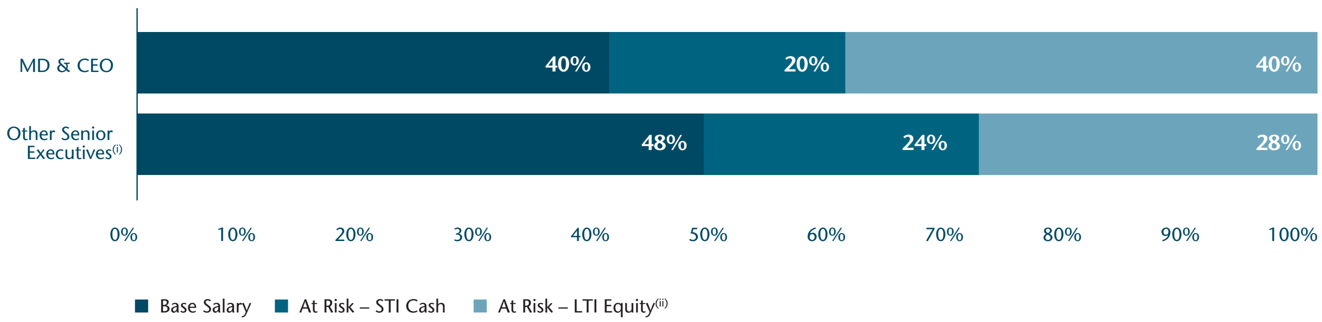
The remuneration structure (including the remuneration mix) is reviewed annually by the Board.

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. Research undertaken by Caltex, and confirmed by external advisers, shows that Caltex has a more stretching relative TSR vesting schedule than most ASX 100 companies. See section 3d for further information on the relative TSR vesting schedule.

2015 Remuneration mix "at target"

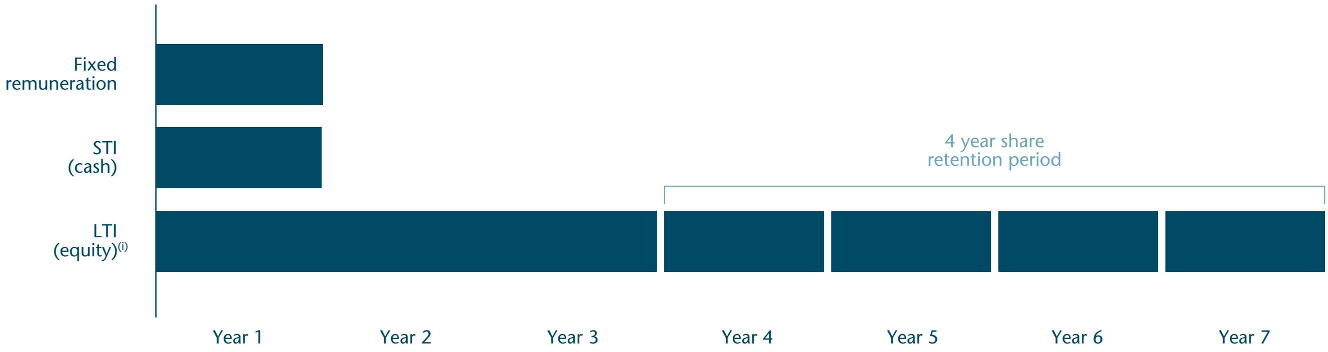


Notes:

(i) "At target" performance in the remuneration mix for "Other Senior Executives" reflects a STI target of 50% of base salary for Mr Brewer, Mr Hepworth, Mr Ritchie and Mr Rosengarten. Mr Lim and Mr Willshire have a STI target of 46% of base salary.

(ii) LTI Equity comprises performance rights granted under the Caltex Equity Incentive Plan (CEIP). It assumes that the relative TSR measure is achieved at the 75th percentile and the strategic growth measure is achieved at target. Grants of performance rights under the CEIP are made at the maximum stretch level of 150% of base salary for the MD & CEO and 90% of base salary for other Senior Executives. The proportion of the grant that vests is based on meeting service and performance conditions.

The below diagram shows the payout profile of the various remuneration elements:



Note:
(i) For LTI awards made in 2013, 2014 and 2015, 25% of vested equity needs to be held by the Senior Executive up until Year 7. For awards made in 2016 onwards, this requirement only applies if the Senior Executive does not hold at least 100% of their base salary in Caltex shares.

3c. Performance based "at risk" remuneration – 2015 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 our executives and employees on executing the most critical objectives aligned to the annual business plan.
Performance period	The performance period is for 12 months ending 31 December 2015.
2015 target and maximum stretch opportunity levels	MD & CEO – the target STI opportunity is 50% of base salary and the maximum stretch STI opportunity is 100% of base salary. Other Senior Executives – the target STI opportunity is between 46% and 50% of base salary and the maximum stretch STI opportunity is between 92% and 100% of base salary depending upon role.
Financial gateway	RCOP NPAT performance, including the cost of incentives, needs to be at least at 80% of target before any short term incentives are payable.
Use of discretion	The Human Resources Committee, in its advisory role, reviews proposed adjustments to Rewarding Results outcomes where there are exceptional unforeseen and uncontrollable impacts on the agreed performance measures and makes recommendations for any changes to performance measures, which may only be approved by the Board. During 2015, discretion was exercised by the Board to exclude the impact of the profit on the sale of the Fremantle terminal as a significant item from the RCOP NPAT result. This was determined by the Board to be outside of the control of employees and not considered part of normal trading operations.
Payment vehicle	STI awards are delivered in cash. STI deferral was removed for STI awards made to Senior Executives from payments made in 2016 onwards because the long term incentive share retention arrangements came into place at this time. See section 3d for further detail.
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 2015

Performance measures for 2015 were derived from the business plan in line with the company direction set by the Board. The Board approved the 2015 business plan and has regularly monitored and reviewed progress against plan milestones and targets.

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

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

Remuneration Report continued

3. Senior Executive remuneration continued

3c. Performance based "at risk" remuneration – 2015 STI Plan continued

Senior Executive performance objectives and outcomes

The table below outlines the common performance objectives that applied to the Senior Executives over 2015. These measures accounted for between 80% and 85% of the Senior Executive's scorecard depending upon their role. The remaining 15-20% of performance objectives were customised to the executive's remit. Actual performance against the objectives has also been provided.

MEASURE	DESCRIPTOR OF MEASURE	WEIGHTING	ACTUAL PERFORMANCE RANGE					COMMENTARY ON PERFORMANCE
			Below Threshold	Threshold to Target	Target	Target to Stretch	Stretch	
Personal safety (assessed at company or business unit level)	Performance is measured based on the total treatable injury frequency rate (TTIFR)	5-7.5%	✓					Personal safety results were disappointing with 19 employees suffering injuries requiring medical treatment during FY15.
Process safety (assessed at company or business unit level)	Performance is measured based on the number of spills	5-7.5%					✓	Process safety results were strong with no Tier 1 or 2 process safety incidents and nine spills (> 1 bbl and marine) across the company. This significant performance improvement (from 22 in 2014) follows targeted improvement programs across the business.
RCOP NPAT	See explanation of RCOP NPAT below	40%				✓		A record level of RCOP NPAT ($628.4 million) was achieved in 2015.
Tabula Rasa	Key business improvement program focusing on revenue generation and cost efficiency	15-25%					✓	This highly successful program exceeded expectations which achieved more than double the budgeted targets of revenue generation and costs saved.
Organisational Health Index (OHI)	Performance is measured through a global survey based on key areas including Leadership, Culture and Innovation	5-10%		✓				Demonstrable improvement since last survey participation in 2014, indicating Caltex has some clear strengths and also some particular areas of focus.

If 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 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 payout schedule deliberately incentivises over-plan performance.

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

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 impacts. The Caltex RCOP methodology is consistent with the methods used by other refining and marketing companies for restatement of their financial results.

As a general rule, an increase in crude prices on an AUD basis will create an earnings gain for Caltex (but working capital requirements will also increase). Conversely, a fall in crude prices on an AUD basis will create an earnings loss. This is a direct consequence of the first in first out (FIFO) costing process used by Caltex in adherence with accounting standards to produce the financial result on a historical cost basis.

With Caltex holding approximately 30 to 45 days of inventory, revenues 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.

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

3d. Performance based "at risk" remuneration – 2015 LTI plan

Plan	LTI awards are granted under the CEIP.
Plan rationale	The Plan aligns executive rewards with the shareholder experience. This is done through the use of relative TSR as the primary performance measure, and through the use of strategic growth measures which contribute towards the delivery of top quartile shareholder returns as the secondary measure. 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. For all awards from 2013, the Board may determine to pay executives the cash value of a share in satisfaction of a vested performance right, instead of providing a share or restricted share. It is expected such discretion will only be exercised in limited cases, typically where the executive is a "good leaver" from Caltex, i.e. where the employee ceases employment due to redundancy or retirement.
Allocation methodology	The number of performance rights granted is determined by dividing the maximum opportunity level by the five day volume weighted average 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 2015 awards, this is the three year period from 1 January 2015 – 31 December 2017.
2015 target and maximum stretch opportunity levels	The MD & 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.

Remuneration Report continued

3. Senior Executive remuneration continued

3d. Performance based "at risk" remuneration – 2015 LTI plan continued

Performance measures

For 2015, the LTI performance measures were relative TSR (weighted at 75%) and a strategic growth measure (weighted at 25%).

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

Strategic growth measure

In 2015, the strategic growth measure is a three year earnings growth measure from mergers and acquisitions (core and non-core) and step-out ventures (new products/services/geographies). This measure was chosen as it reflects the importance of growth in achieving our key success measure of top quartile shareholder returns.

Disclosure of performance outcomes

In the 2017 Remuneration Report, the Board will set out how Caltex performed against these measures. See section 3h for the Board's rationale for the performance outcomes of the LTI awards that were granted in 2013 and that vest in April 2016.

Shares acquired upon vesting of the performance rights

Shares to satisfy vested performance rights are purchased on market at the time of vesting if the vesting conditions are met and the performance rights vest.

Shares allocated upon vesting of performance rights will carry the same rights as other ordinary shares (including dividends and voting rights).

Share retention arrangements

The share retention arrangements are designed to encourage all executives to build up and maintain more sizeable shareholdings in Caltex for a longer period of time and further align the interests of Caltex executives and shareholders.

Under the share retention arrangements, 25% of the vested portion of performance rights will be converted into restricted shares. These shares are unable to be sold for a further period of four years (until 1 April 2022 for the 2015 LTI awards). This effectively extends the life of the LTI plan from three years to seven years.

Based on this policy, if it is assumed that the LTI awards vest at target levels over a period of four years, the MD & CEO and Senior Executives would have theoretical shareholdings of 100% and 60% of their base salary respectively.

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, having regard to pro-rated performance.

Legacy LTI awards

The 2013 and 2014 LTI awards will vest in April 2016 and April 2017 respectively. The operation of these awards is consistent with the 2015 awards, except for the weighting and nature of the performance measures. The performance measures for the 2013 and 2014 awards were relative TSR (weighted at 60%), free cash flow (weighted at 20%) and strategic measures (weighted at 20%).

Performance measure	Commentary
Relative TSR	The operation of the relative TSR measure is the same as that outlined above under the 2015 awards.
Free cash flow (FCF)	FCF measures performance against the cumulative FCF threshold, target and stretch levels set by the Board for the three year periods ending 31 December 2015 (2013 award) and 31 December 2016 (2014 award), based on the respective three year business plan. The targets are achievable only if growth expectations in Marketing are achieved, a competitive supply chain is maintained, and key strategic projects are delivered. FCF performance is measured before dividends and growth investment capital to ensure management is not discouraged from considering growth opportunities. The Board may modify the performance outcome to take into account material changes to the external environment and potentially those controllable items that may change to reflect appropriate Board decisions over the three year period. See section 3h for Caltex's performance against the cumulative FCF target applicable for the 2013 awards. The Board will set out Caltex's performance against the cumulative FCF target applicable for the 2014 awards in the 2016 Remuneration Report, including how, if at all, the Board has modified the performance outcome noted above.
Strategic measures – 2013 award	The 2013 strategic measure is based on performance against the Board approved project cost and schedule milestones for the Kurnell conversion project. The cost schedules and milestones are those that were to be delivered before 31 December 2015 and which were approved by the Board during 2013. Half of the Board's assessment (10% weighting) was based on the delivery of the Kurnell conversion project to budget. The remaining half (10% weighting) was based on the Board's qualitative assessment of performance during the three year period against a range of parameters including delivery of project milestones to time, safety and environment performance, and continuity of supply to customers. See section 3h for the Board's rationale on the vesting percentage that applied for the 2013 LTI awards.
Strategic measures – 2014 award	The 2014 strategic measure is based on the Board's qualitative assessment of the outcomes achieved through key strategic projects, each designed to support top quartile shareholder returns, through the transformation of the company into a competitively efficient organisation with innovation and growth capabilities. The expected outcomes of the projects will be: • a competitively efficient organisation • the development and demonstration of end to end value chain optimisation capability • the development and demonstration of competitive supply capability • the development and demonstration of innovation and growth capabilities. In the 2016 Remuneration Report, the Board will set out how Caltex performed against these measures, including the Board's rationale for the relevant vesting percentage.

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 occur which the Board determines in good faith to have resulted in an "unfair benefit" to the Senior Executive.

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

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

Remuneration Report continued

3. Senior Executive remuneration continued

3f. Hedging and margin lending policies

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

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

3g. Senior Executive remuneration and service agreements

MD & CEO

The MD & CEO's remuneration is determined by the Board, upon the recommendation of the Human Resources Committee. In making its 2015 remuneration recommendation, the Human Resources Committee considered the performance of the MD & CEO and advice provided by Godfrey Remuneration Group (GRG), which took into account remuneration levels provided by companies of a similar size and complexity.

The split between the MD & CEO's 2015 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)]**
$2,248,500[(i)]	"At target" $1,074,250 *(50% of base salary)*	"At target"– when TSR is at the 75th percentile of peer companies, and the strategic growth measure has been met at target. $2,148,500 *(100% of base salary)*
	"Stretch" $2,148,500 *(100% of base salary)*	"Stretch" – when TSR is at the 90th percentile of peer companies and the strategic growth measure has been met at stretch. $3,222,750 *(150% of base salary)*

Notes:

(i) The MD & CEO's remuneration increased by 8% during the 2015 remuneration review.

(ii) Share retention arrangements have been implemented to encourage share retention and promote alignment with shareholders over the longer term. For the 2013, 2014 and 2015 LTI awards, all Senior Executives are required to hold 25% of the shares awarded when the performance rights vest for an additional four years. For 2016 LTI awards, this requirement will only apply if the Senior Executive does not hold at least 100% of their base salary in Caltex shares in the month prior to the vesting date.

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

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

Other Senior Executives

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

The 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 between 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).

Table 2. Summary of Service Agreements for other Senior Executives

	Termination on notice (by the company)	Resignation (by the Senior Executive)
Andrew Brewer	6 months	6 months
Simon Hepworth	3 months	3 months
Peter Lim	6 months	6 months
Adam Ritchie	6 months	6 months
Bruce Rosengarten	6 months	6 months
Simon Willshire	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 31 December of the year, generally their payment from the Rewarding Results Plan would also be forfeited, subject to the discretion of the Board. If a Senior Executive is made redundant, their redundancy payment is determined by the Caltex Redundancy Policy, with the payment calculated based on years of service and the applicable notice period.

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

Executive General Manager, Commercial

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

Mr Rosengarten also received a payment to compensate him for forgone STI and an award of restricted shares to compensate him for forgone unvested LTI at his prior employer. 50% of the restricted share grant vested on Mr Rosengarten's second anniversary of commencement in November 2015, and the remaining 50% will vest on his third anniversary. The second tranche will lapse if Mr Rosengarten's employment ceases due to resignation, serious and wilful misconduct, negligent behaviour or unsatisfactory performance prior to his third anniversary. The award of restricted shares is outlined in table 6.

Executive General Manager, Supply

Mr Adam Ritchie was appointed on 1 April 2015. Mr Ritchie's contract included relocation and accommodation support to assist him to relocate from the United States, where he was previously employed. If Mr Ritchie's employment ceases due to resignation, serious and wilful misconduct or negligent behaviour within 12 months of commencement, the entire cost of relocation assistance must be repaid, with a pro-rated portion repayable if employment ceases for these reasons between 12 and 24 months.

Mr Ritchie also received an award of restricted shares to compensate him for forgone unvested LTI at his prior employer. 33.33% of the restricted share grant will vest on each of Mr Ritchie's first, second and third anniversary of his commencement date. Each unvested tranche will lapse if Mr Ritchie's employment ceases due to resignation, serious and wilful misconduct or negligent behaviour prior to each respective vesting date.

The award of restricted shares is outlined in table 6.

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 2015 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 2011 to 2015 together with the linkage to actual STI and LTI outcomes.

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

Summary of performance over 2011-2015	2015	2014	2013	2012	2011
12 month TSR %(i)	13.6	74.1	6.1	66.6	(15.0)
Dividends (cents per share)	117c	70c	34c	40c	45c
Share price(ii)	$37.70	$34.21	$20.05	$19.21	$11.77
RCOP excluding significant items earnings per share	$2.33	$1.83	$1.23	$1.70	$0.98
RCOP NPAT excluding significant items (million)(iii)	$628	$493	$332	$458	$264
Caltex Safety – TTIFR(iv)	2.35	1.76	1.36	2.86	2.53
Caltex Safety – LTIFR(v)	0.62	0.77	0.63	0.59	0.99
Link to remuneration					
STI – percentage of business plan RCOP NPAT target achieved	134%	125%	76%	137%	83%
STI – funding of STI pool (relative to target)	141%	127%	0%	144%	94%
LTI – percentage vesting three years after grant date					
Year of grant	*2013*	*2012*	*2011*	*2010*	*2009*
Percentage of grant vesting	80.49%	88.9%	42.3%	77.8%	82.2%

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) TTIFR – Total Treatable Injury Frequency Rate.

(v) LTIFR – Lost Time Injury Frequency Rate.

Alignment between STI outcomes and RCOP NPAT

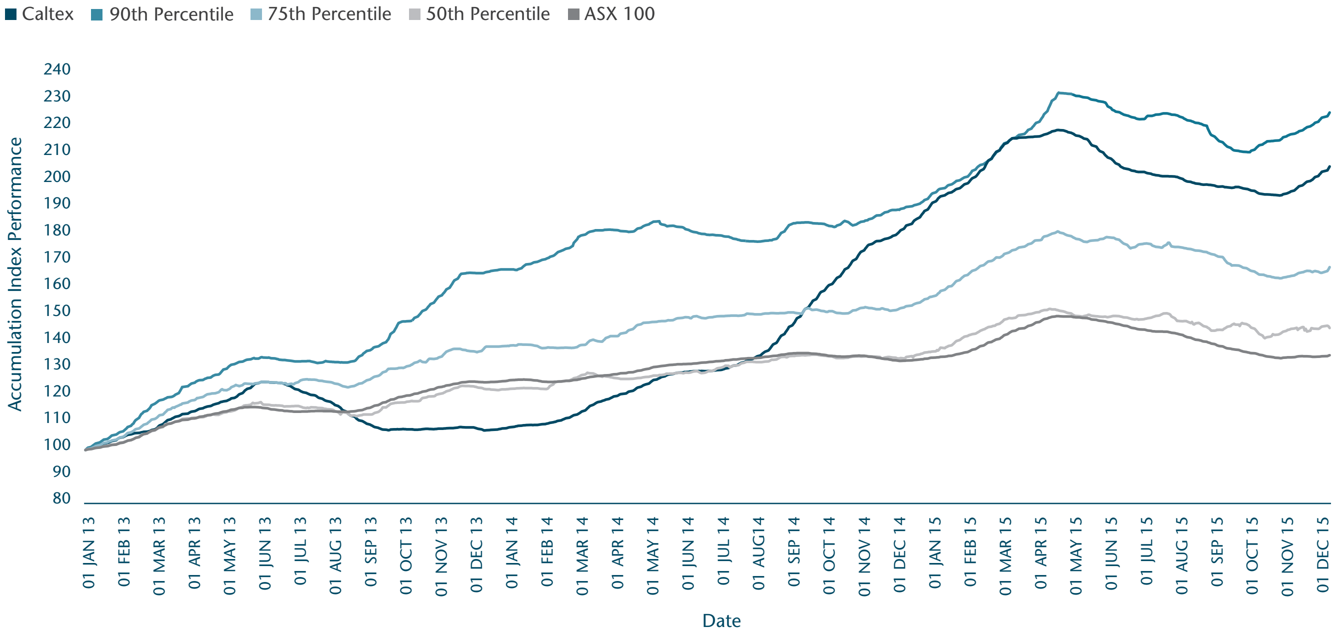
The strong alignment between STI outcomes and company profitability as measured by RCOP NPAT is shown below.

2013 LTI vesting outcomes and the link to company performance

Relative TSR (60%)

The chart below provides a comparison of Caltex's three year TSR performance compared to S&P/ASX 100 companies over the period from 1 January 2013 to 31 December 2015. This reflects the final status of the 2013 LTI grant that is subject to the relative TSR performance measure. Caltex's TSR over this period was 200%, placing it at the 82nd percentile. This will lead to 81.17% of the performance rights subject to the relative TSR performance measure vesting on 1 April 2016.

Caltex Australia Limited and the Constituents of the S&P/ASX 100 Index
Total Shareholders Return Performance
1 January 2013 – 31 December 2015



 Indices based on a value of 100 at 1 January 2013. Three month smoothing applied.

eganassociates

1. Constituents based on the S&P/ASX 100 Index as at grant date (i.e. 1 January 2013). Caltex is included in the S&P/ASX 100 Index.
   Source: S&P Capital IQ

Free cash flow (20%)

The level of vesting against the FCF measure was determined by aggregating Caltex's actual FCF performance over the three year performance period and comparing this to the aggregate of the three year stretch targets determined in early 2013 prior to the grant of this award.

While actual FCF performance over the 2013-15 period was strong, the vesting level was between threshold and target with 63.2% of the performance rights vesting on 1 April 2016. No adjustments were made by the Board to the FCF figures when determining the level of vesting against the FCF performance measure.

Remuneration Report continued

3. Senior Executive remuneration continued

3h. Link between company performance and executive remuneration continued

2013 LTI vesting outcomes and the link to company performance continued

Strategic measures (20%)

The table below provides an overview of performance against the applicable 2013 strategic measures.

Strategic measure and weighting (%)	Actual vesting (%)	Performance commentary
Kurnell conversion project (20%)		
Managing the project cost to budget (10%)	91.5%	• Project costs were managed well and came in $41 million under target.
The Board's qualitative assessment of performance against a range of parameters including delivery of project milestones to time, safety and environmental performance, and continuity of supply to customers (10%)	100%	• The conversion of the Kurnell site from a refinery to Caltex's largest import terminal has been an outstanding success. • All of the major components of the project – reliable refinery operation to closure; conversion capital works; establishment of Ampol Singapore; developing the Kurnell terminal team; refinery decommissioning and demolition – have all been completed on or under budget and on or ahead of an aggressive schedule or plan. • Kurnell site safety and environmental performance was excellent, with personal safety performance at this challenging time being amongst the best in the site's history. • Critically, reliable supply to our customers was maintained, underpinned by the seamless transition of the site to import operation in October 2014. • Feedback from investors indicates that the strong Caltex share price growth over the last three years has been partially driven by the scale and impact of the transition from refinery to terminal. • The successful delivery of this project is a clear example of the successful strategic realignment that Caltex has executed over the last several years.

3i. Remuneration tables

Table 4a. Total remuneration earned by Senior Executives in 2015 (unaudited, non-statutory disclosures)

The following table sets out the actual remuneration earned by Senior Executives in 2015. The value of remuneration includes the equity grants where the Senior Executive received control of the shares in 2015.

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 2015.

Dollars	Salary and fees(i)	Other remuneration(iii)	Bonus (STI)	Deferred STI vested in the year(iv)	LTI vested during the year(v)	Remuneration "earned" for 2015(vi)
Julian Segal (Managing Director & CEO)(ii)						
2015	**2,183,693**	**68,247**	**1,568,405**	**442,017**	**9,595,750**	**13,858,112**
Andrew Brewer (Executive General Manager, Supply Chain Operations)(ii)						
2015	**688,546**	**408,041**	**491,330**	**120,783**	**890,681**	**2,599,381**
Simon Hepworth (Chief Financial Officer)						
2015	**788,647**	**236,627**	**673,560**	**164,198**	**2,087,206**	**3,950,238**
Peter Lim (Executive General Manager, Legal & Corporate Affairs)(ii)						
2015	**546,657**	**72,461**	**380,400**	**95,143**	**1,222,928**	**2,317,589**
Adam Ritchie (Executive General Manager, Supply)(ii)						
2015	**613,823**	**185,972**	**667,890**	**–**	**–**	**1,467,685**
Bruce Rosengarten (Executive General Manager, Commercial)(ii)						
2015	**834,443**	**74,294**	**574,241**	**140,316**	**535,051**	**2,158,345**
Simon Willshire (Executive General Manager, Human Resources)(ii)						
2015	**537,658**	**78,452**	**383,945**	**101,633**	**1,375,032**	**2,476,720**
Total remuneration: Senior Executives						
2015	**6,193,467**	**1,124,094**	**4,739,771**	**1,064,090**	**15,706,648**	**28,828,070**

Notes:

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

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

(iii) Other remuneration includes the cash value of non-monetary benefits, superannuation, annual leave and long service leave entitlements, and any fringe benefits tax payable on non-monetary benefits. For Mr Ritchie, it also includes the value of relocation (including rental and tax) assistance associated with his relocation from the United States. For Mr Brewer, it also includes a $294,680 cash based retention payment linked to the Kurnell closure and conversion project. This retention plan was introduced in 2011 prior to the time when Mr Brewer was a KMP.

(iv) This refers to the deferred unrestricted component of the 2014 STI that vested in October 2015, but is still subject to clawback and a mandatory two year dealing restriction from grant date.

(v) This refers to equity based plans from prior years that vested in the current year. The value is calculated using the closing share price of company shares on the vesting date. The 2015 figures reflect the strong performance in respect of the LTI that was granted in 2012 and that operated over the performance period from 1 January 2012 to 31 December 2014. Over this period, Caltex's TSR was 256% and the Caltex share price increased from $11.20 to $34.21. At the time of vesting, the Caltex share price had further increased to $34.95. For Mr Rosengarten this refers to the value of the first tranche of restricted shares that were granted to him in 2013 and vested in November 2015.

(vi) This refers to the total value of remuneration earned during 2015, being the sum of the prior columns.

Remuneration Report continued

3. Senior Executive remuneration continued

3i. Remuneration tables continued

Table 4b. Total remuneration for Senior Executives in 2015 (statutory disclosures)

The following table sets out the audited total remuneration for Senior Executives in 2014 and 2015, calculated in accordance with statutory accounting requirements:

	PRIMARY			POST EMPLOYMENT	OTHER LONG TERM	EQUITY		TOTAL
Dollars	Salary and fees (i)	Bonus (STI)	Non-monetary benefits (iii)	Super-annuation	Other (iv)	Share benefits (v)	Rights benefits (vi)	
Julian Segal (Managing Director & CEO) (ii)								
2015	**2,137,659**	**1,568,405**	**13,331**	**25,000**	**75,950**	**215,878**	**2,345,131**	**6,381,354**
2014	2,188,995	949,862	12,756	25,000	57,445	259,053	2,198,465	5,691,576
Andrew Brewer (Executive General Manager, Supply Chain Operations) (ii)								
2015	**715,473**	**491,330**	**23,308**	**24,354**	**38,771**	**58,770**	**325,401**	**1,677,407**
2014	468,463	258,587	8,345	20,700	59,546	70,524	216,732	1,102,897
Simon Hepworth (Chief Financial Officer)								
2015	**834,865**	**673,560**	**17,021**	**110,459**	**62,929**	**79,901**	**526,003**	**2,304,738**
2014	740,351	351,563	15,570	68,851	36,257	95,881	485,512	1,793,985
Peter Lim (Executive General Manager, Legal & Corporate Affairs) (ii)								
2015	**551,113**	**380,400**	**16,892**	**30,000**	**21,113**	**46,295**	**331,591**	**1,377,404**
2014	485,218	203,698	17,213	27,000	28,609	55,554	293,916	1,111,208
Adam Ritchie (Executive General Manager, Supply) (ii)								
2015	**625,900**	**667,890**	**143,037**	**30,858**	**–**	**74,998**	**107,306**	**1,649,989**
2014	–	–	–	–	–	–	–	–
Bruce Rosengarten (Executive General Manager, Commercial) (ii)								
2015	**838,952**	**574,241**	**13,899**	**30,400**	**25,486**	**309,814**	**290,461**	**2,083,253**
2014	799,361	300,384	13,252	25,400	–	349,496	131,094	1,618,987
Simon Willshire (Executive General Manager, Human Resources) (ii)								
2015	**559,943**	**383,945**	**14,195**	**26,446**	**15,526**	**49,463**	**338,474**	**1,387,992**
2014	520,698	217,636	13,173	18,279	15,862	59,355	319,382	1,164,385
Total remuneration: Senior Executives								
2015	**6,263,905**	**4,739,771**	**241,683**	**277,517**	**239,775**	**835,119**	**4,264,367**	**16,862,137**
2014	5,203,086	2,281,730	80,309	185,230	197,719	889,863	3,645,101	12,483,038

Notes:

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

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

(iii) 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. For Mr Ritchie it also includes the value of relocation (including rental and tax) assistance associated with his relocation from the United States.

(iv) Other long term remuneration represents the long service leave for all Senior Executives.

(v) Share benefits includes both the deferred unrestricted component of the 2014 STI that vested in October 2015, but where the shares are still subject to clawback and a mandatory two year dealing restriction from grant date. It also includes the 2015 portion of the amortised value calculated under Accounting Standards of the restricted shares granted to Mr Rosengarten in 2013, and the restricted shares granted to Mr Ritchie in 2015.

(vi) These values have been calculated under 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.

Table 5. Unvested shareholdings of Senior Executives during 2015

	Unvested shares at 31 Dec 2014	Restricted shares granted	Shares vested from prior performance years[iii]	Forfeited	Unvested shares at 31 Dec 2015
Julian Segal	13,826	–	(13,826)	–	–
Andrew Brewer	3,778	–	(3,778)	–	–
Simon Hepworth	5,136	–	(5,136)	–	–
Peter Lim	2,976	–	(2,976)	–	–
Adam Ritchie [i]	–	8,741	–	–	8,741
Bruce Rosengarten [ii]	38,253	–	(21,321)	–	16,932
Simon Willshire	3,179	–	(3,179)	–	–

Notes:

(i) The restricted shares awarded to Mr Ritchie 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). One third of this award will vest in April 2016, one third in April 2017 and the final third in April 2018 provided Mr Ritchie meets the service conditions.

(ii) For Mr Rosengarten the unvested shares as at 31 December 2015 represent the unvested portion of the restricted shares awarded to Mr Rosengarten on commencement with Caltex in lieu of the LTI forgone with his previous employer (refer to section 3g for further detail). 50% of this award vested in November 2015, and the remaining 50% of the award will vest in November 2016 provided Mr Rosengarten meets the service conditions.

(iii) Restricted shares vested represents the 2014 STI deferred into equity, in the form of restricted shares (33.3%). The shares were purchased in 2015 and vested in October 2015 on meeting the six month service related forfeiture condition. The shares are subject to a further two year dealing restriction from the date of grant.

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

The following table provides an estimate of the future cost to Caltex of unvested restricted shares based on the progressive vesting of the restricted shares, where the shares were not awarded under the STI Deferral plan. One new award of restricted shares was made during 2015 to the Executive General Manager, Supply on commencement of employment in lieu of the unvested LTI which lapsed upon his resignation with his prior employer. One award was made previously to the Executive General Manager, Commercial in 2013 for the same reason. 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 ($)
Adam Ritchie	Sign on	2015	0%	2016 (33%) 2017 (33%) 2018 (34%)	224,993
Bruce Rosengarten	Sign on	2013	50%	2016	89,328

Remuneration Report continued

3. Senior Executive remuneration continued

3i. Remuneration tables continued

Table 7. 2015 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 2015[i]	Granted in 2015[ii]	Vested in 2015[iii]	Lapsed in 2015[iv]	Balance at 31 Dec 2015
Julian Segal	610,311	101,312	(255,530)	(31,906)	424,187
Andrew Brewer	69,715	17,568	(23,985)	(2,995)	60,303
Simon Hepworth	134,969	23,584	(56,206)	(7,018)	95,329
Peter Lim	82,704	14,796	(32,932)	(4,112)	60,456
Adam Ritchie	–	22,208	–	–	22,208
Bruce Rosengarten	34,165	22,208	–	–	56,373
Simon Willshire	88,667	14,148	(37,028)	(4,624)	61,163

Notes:

[i] This relates to the 2012, 2013 and 2014 performance rights. If the service based and performance based vesting conditions are achieved, the 2013 and 2014 performance rights will vest in 2016 and 2017 respectively.

[ii] This relates to the 2015 performance rights. If the service based and performance based vesting conditions are achieved, these performance rights will vest in 2018.

[iii] This relates to the 2012 performance rights of which 88.9% vested.

[iv] This relates to the 2012 performance rights of which 11.1% lapsed.

Table 8. Valuation assumptions of performance rights granted

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

	2015 GRANT		2014 GRANT		2013 GRANT	
	Relative TSR against S&P/ ASX 100	FCF and strategic measure	Relative TSR against S&P/ ASX 100	FCF and strategic measure	Relative TSR against S&P/ ASX 100	FCF and strategic measure
Grant date	7 April 2015	7 April 2015	7 April 2014	7 April 2014	22 April 2013	22 April 2013
Vesting date	1 April 2018	1 April 2018	1 April 2017	1 April 2017	1 April 2016	1 April 2016
Exercise price	Nil	Nil	Nil	Nil	Nil	Nil
Volatility	30%	30%	35%	35%	40%	40%
Risk free interest rate	1.75%	1.75%	3.02%	3.02%	2.7%	2.7%
Dividend yield	3.2%	3.2%	2.7%	2.7%	2.0%	2.0%
Expected life (years)	3.0	3.0	3.0	3.0	2.9	2.9
Share price at grant date	$34.94	$34.94	$21.85	$21.85	$20.60	$20.60
Valuation per right	$15.69	$31.76	$12.57	$20.16	$10.98	$19.42

Note:

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

Table 9. Mix of fixed and variable remuneration based on 2015 statutory remuneration table

The proportion of each Senior Executive's remuneration for 2015 that was fixed, and the proportion that was subject to a performance measure, is outlined below. The percentages are based on the 2015 statutory remuneration disclosures and do not correspond to the target remuneration percentages outlined earlier in this report in section 3b.

	Fixed	Variable (including short and long term incentive payments)
Julian Segal	35%	65%
Andrew Brewer	48%	52%
Simon Hepworth	44%	56%
Peter Lim	45%	55%
Adam Ritchie	48%	52%
Bruce Rosengarten	44%	56%
Simon Willshire	44%	56%

Table 10. FY15 STI outcomes

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

Current Senior Executives	2015	2014
Julian Segal	73%	72%
Andrew Brewer	72%	71%
Simon Hepworth	74%	71%
Peter Lim	72%	71%
Adam Ritchie	78%	n/a
Bruce Rosengarten	67%	64%
Simon Willshire	76%	73%
Average	**73%**	**71%**

4. Non-executive Director fees

4a. Our approach to Non-executive Director fees

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

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

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

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

Remuneration Report continued

4. Non-executive Director fees continued

4b. Board and Committee fees for 2015

The current maximum annual fee pool for Non-executive Directors is $2.25 million, including statutory entitlements. This amount was approved by shareholders at the 2015 Annual General Meeting.

Table 11. 2015 Non-executive Director fees

The table below outlines the 2015 Non-executive Director fees. As outlined in the 2014 Remuneration Report, the base fees for the Chairman and Non-executive Directors increased from 1 January 2015 by 3%. All other Committee fees remained unchanged from 2014.

	BOARD		COMMITTEES(i)	
	Chairman	Member	Chairman	Member
2015 fee (ii)	$478,950	$159,650	$36,000	$18,000

Notes:

(i) Comprising the Audit Committee, Human Resources Committee, and OHS & Environmental Risk Committee. No fees are paid to the Chairman or Members of the Nomination Committee.

(ii) Caltex pays superannuation of 9.5% for Australian based Non-executive Directors in addition to the above fees.

4c. Remuneration table

Table 12. Non-executive Director fees in 2015 (statutory disclosures)

The following table sets out the audited Non-executive Director fees in 2014 and 2015 calculated in accordance with statutory accounting requirements. Non-executive Directors are not eligible to receive any cash based or equity based incentives.

	PRIMARY		POST EMPLOYMENT	OTHER LONG TERM	TOTAL
Dollars	Salary and fees	Non-monetary benefits	Super-annuation (i)	Other	
Current Non-executive Directors					
Greig Gailey (Chairman)					
2015	**249,160**	**558**	**23,415**	**–**	**273,133**
2014	227,000	615	21,281	–	248,896
Trevor Bourne					
2015	**231,650**	**914**	**22,007**	**–**	**254,571**
2014	227,000	962	21,281	–	249,243
Steven Gregg					
2015	**36,284**	**–**	**3,447**	**–**	**39,731**
2014	–	–	–	–	–
Bruce Morgan					
2015	**231,650**	**1,082**	**22,007**	**–**	**254,739**
2014	227,000	781	21,281	–	249,062
Barbara Ward					
2015	**155,738**	**79**	**14,368**	**–**	**170,185**
2014	–	–	–	–	–
Penny Winn					
2015	**26,608**	**–**	**2,528**	**–**	**29,136**
2014	–	–	–	–	–

Note:

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

Dollars	PRIMARY Salary and fees	Non-monetary benefits	POST EMPLOYMENT Super-annuation [i]	OTHER LONG TERM Other	TOTAL
Former Non-executive Directors					
Elizabeth Bryan (Chairman)					
2015	**501,057**	**278**	**17,926**	**–**	**519,261**
2014	490,315	389	18,279	–	508,983
Richard Brown					
2015	**40,241**	**–**	**–**	**–**	**40,241**
2014	155,000	–	–	–	155,000
Barbara Burger					
2015	**44,778**	**–**	**–**	**–**	**44,778**
2014	173,000	–	–	–	173,000
Ryan Krogmeier					
2015	**44,778**	**–**	**–**	**–**	**44,778**
2014	173,000	–	–	–	173,000
Total: Non-executive Directors					
2015	**1,561,944**	**2,911**	**105,698**	**–**	**1,670,553**
2014	1,672,315	2,747	82,122	–	1,757,184

Note:

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

Remuneration Report continued

5. Shareholdings of Key Management Personnel

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

	Held at 31 Dec 2014	Purchased	Vested	Sold	Held at 31 Dec 2015
Directors					
Greig Gailey	**5,000**	–	–	–	**5,000**
Trevor Bourne	**5,395**	–	–	–	**5,395**
Steven Gregg	–	–	–	–	–
Bruce Morgan	**10,500**	–	–	–	**10,500**
Barbara Ward	–	–	–	–	–
Penny Winn	–	**1,261**	–	–	**1,261**
Elizabeth Bryan	**14,946**	–	–	–	**14,946**
Ryan Krogmeier	–	–	–	–	–
Richard Brown	–	–	–	–	–
Barbara Burger	–	–	–	–	–
Senior Executives					
Julian Segal	**148,550**	–	**269,356**	**(276,000)**	**141,906**
Andrew Brewer	**25,012**	–	**27,763**	**(27,702)**	**25,073**
Simon Hepworth	**11,839**	–	**61,342**	**(49,500)**	**23,681**
Peter Lim	**15,424**	–	**35,908**	**(43,000)**	**8,332**
Adam Ritchie	–	**70**	–	–	**70**
Bruce Rosengarten	–	–	**21,321**	**(16,932)**	**4,389**
Simon Willshire	**5,157**	–	**40,207**	**(42,185)**	**3,179**

	Held at 31 Dec 2013	Purchased	Vested	Sold	Held at 31 Dec 2014
Directors					
Greig Gailey	5,000	–	–	–	5,000
Trevor Bourne	5,395	–	–	–	5,395
Bruce Morgan	10,500	–	–	–	10,500
Elizabeth Bryan	14,946	–	–	–	14,946
Ryan Krogmeier	–	–	–	–	–
Richard Brown	–	–	–	–	–
Barbara Burger	–	–	–	–	–
Senior Executives					
Julian Segal	120,583	–	81,900	(53,933)	148,550
Andrew Brewer	27,825	–	7,656	(10,469)	25,012
Simon Hepworth	21,352	–	17,287	(26,800)	11,839
Peter Lim	10,669	–	4,755	–	15,424
Bruce Rosengarten	–	–	–	–	–
Simon Willshire	10,143	–	11,808	(16,794)	5,157

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 2015 (2014: nil).

During 2015:

- Ms Bryan was a director of Westpac Banking Corporation; Insurance Australia Group Limited and Virgin Australia; transactions with these companies and (where relevant) their subsidiaries during 2015 were on normal commercial terms;
- Mr Bourne was a director of Senex Energy Limited and Sydney Water Corporation; transactions with these companies and (where relevant) their subsidiaries during 2015 were on normal commercial terms;
- Mr Morgan was a director of Origin Energy Limited and Sydney Water Corporation; transactions with these companies and (where relevant) their subsidiaries during 2015 were on normal commercial terms;
- Ms Ward was a director of Qantas Airways Limited; transactions with this company and (where relevant) its subsidiaries during 2015 were on normal commercial terms;
- Mr Gregg was a director of William Inglis & Son Limited; transactions with this company and (where relevant) its subsidiaries during 2015 were on normal commercial terms; and
- Ms Winn was a director of Port Waratah Coal Services Limited; transactions with this company and (where relevant) its subsidiaries during 2015 were on normal commercial terms.

Directors' interests

The directors' relevant interests in the shares of Caltex Australia Limited at 31 December 2015 are set out in the following table.

Director	Shareholding	Nature of interest
Greig Gailey	5,000	Indirect interest
Julian Segal	141,906	Direct interest (128,080 shares) Indirect interest (13,826 shares) Mr Segal also has a direct interest in 424,187 performance rights
Trevor Bourne	5,395	Direct interest (2,395 shares) Indirect interest (3,000 shares)
Steven Gregg	Nil	N/A
Bruce Morgan	10,500	Indirect interest
Barbara Ward	Nil	N/A
Penny Winn	1,261	Indirect interest

Note:
No director has acquired or disposed of any relevant interests in the Company's shares in the period from 1 January 2016 to the date of this Annual Report.

Board and Committee meetings

The Caltex Board met 10 times during the year ended 31 December 2015. In addition, directors attended Board strategy sessions and workshops, site visits and special purpose committee meetings during the year.

In 2015, the Board convened the following standing committees:

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

Special purpose committees were convened on three occasions in 2015.

Board and Committee meetings continued

The number of Board and Committee meetings attended by each director during 2015 is set out in the following table.

DIRECTOR	BOARD[i]		AUDIT COMMITTEE		HUMAN RESOURCES COMMITTEE		NOMINATION COMMITTEE		OHS & ENVIRONMENTAL RISK COMMITTEE		OTHER[iii]	
Current directors	A[ii]	B	A	B	A	B	A	B	A	B	A	B
Greig Gailey	10	10	4	4	4	4	4	4	4	4	9	9
Julian Segal	10	10	–	–	–	–	–	–	–	–	6	6
Trevor Bourne	10	10	4	4	4	4	4	4	4	4	6	6
Steven Gregg	2	2	–	–	–	–	1	1	–	–	3	3
Bruce Morgan	10	10	4	4	4	4	4	4	4	4	8	8
Barbara Ward	7	7	3	3	3	3	3	3	2	1	4	2
Penny Winn	1	1	–	–	–	–	1	1	–	–	–	–
Former directors												
Elizabeth Bryan	10	10	–	–	–	–	4	4	–	–	6	6
Richard Brown	2	2	–	–	–	–	1	1	–	–	–	–
Barbara Burger	2	2	–	–	–	–	1	1	1	1	–	–
Ryan Krogmeier	2	2	–	–	1	1	1	1	–	–	–	–

Notes:
A: Number of meetings required to attend.
B: Number of meetings attended.
(i) Includes two unscheduled Board meetings.
(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) Includes Board and Committee strategy sessions, workshops, site visits and special purpose committee meetings.

Shares and interests

The total number of ordinary shares on issue at the date of this report and during 2015 is 270 million shares (2014: 270 million shares). The total number of performance rights on issue at the date of this report is 1,482,001 (2014: 2,018,111). 434,972 performance rights were issued during 2015 (2014: 676,620). 971,082 performance rights were distributed or lapsed during the year (2014: 1,096,156). On vesting, Caltex is required to allocate one ordinary share for each performance right. For each right that vests, Caltex will purchase a share on market following vesting.

Non-audit services

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

In 2015, KPMG performed non-audit services for the Caltex Australia Group in addition to its statutory audit and review engagements for the full year and half year.

KPMG received or was due to receive the following amounts for services performed for the Caltex Australia Group during the year ended 31 December 2015:

- for non-audit services – total fees of $299,000 (2014: $78,500); these services included taxation services ($103,400) and other assurance services ($195,600), and
- for audit services – total fees of $1,000,500 (2014: $995,900).

The Board has received a written advice from the Audit Committee in relation to the independence of KPMG, as external auditor, for 2015. The advice was made in accordance with a resolution of the Audit Committee.

The directors are satisfied that:

- the provision of non-audit services to the Caltex Australia Group during the year ended 31 December 2015 by KPMG is compatible with the general standard of independence for auditors imposed by the *Corporations Act*, and
- the provision of non-audit services during the year ended 31 December 2015 by KPMG did not compromise the auditor independence requirements of the *Corporations Act* for the following reasons:
  - the provision of non-audit services in 2015 was consistent with the Board's policy on the provision of services by the external auditor
  - the non-audit services provided in 2015 are not considered to be in conflict with the role of external auditor, and
  - the directors are not aware of any matter relating to the provision of the non-audit services in 2015 that would impair the impartial and objective judgement of KPMG as external auditor.

Company secretaries

The following persons served as company secretaries of Caltex and the Caltex Group during 2015.

Peter Lim

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

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

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

Nawal Silfani

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

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

Ms Silfani holds various undergraduate and postgraduate qualifications in law, corporate governance and risk, including a Master of Laws from the University of Sydney. She is a member of the Australian Institute of Company Directors, the Law Society of New South Wales, the Association of Corporate Counsel and the Governance Institute of Australia.

Ms Silfani resigned as Company Secretary in February 2016.

Indemnity and insurance

Constitution

The Constitution of Caltex Australia Limited provides that, to the extent permitted by law and subject to the restrictions in sections 199A and 199B of the *Corporations Act*, Caltex indemnifies every person who:

- is or has been a director or secretary of Caltex
- is or has been appointed a director or secretary of a Caltex subsidiary at the request of the Caltex Board, against:
  - any liability (other than a liability for legal costs) incurred by that person as a director or secretary of Caltex or a Caltex subsidiary, and
  - reasonable legal costs incurred in defending an action for a liability or alleged liability incurred by that person as a director or secretary of Caltex or a Caltex subsidiary.

Deeds of indemnity and insurance

During the year ended 31 December 2015, Caltex entered into deeds of access, insurance and indemnity with each of:

- Nawal Silfani on her appointment as a company secretary
- Barbara Ward on her appointment as an independent, non-executive director
- Steven Gregg on his appointment as an independent, non-executive director, and
- Penny Winn on her appointment as an independent, non-executive director.

Deeds of access, insurance and indemnity have previously been entered into by Caltex with current and former directors and secretaries.

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

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

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

Contract of insurance

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

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

Rounding of amounts

Caltex is an entity to which Australian Securities and Investments Commission (ASIC) Class Order 98/100 (CO98/100) applies. Amounts in the 2015 Directors' Report and the 2015 Financial Report have been rounded off to the nearest thousand dollars (unless otherwise stated) in accordance with CO98/100.

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

G Gailey
Chairman

J Segal
Managing Director & CEO

Sydney, 23 February 2016

LEAD AUDITOR'S INDEPENDENCE DECLARATION

UNDER SECTION 307C OF THE *CORPORATIONS ACT 2001*

To: The directors of Caltex Australia Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 December 2015 there have been:

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

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

KPMG

Greg Boydell
Partner

Sydney, 23 February 2016

DIRECTORS' DECLARATION

The Caltex Board has declared that:

(a) the directors have received the declarations required by section 295A of the *Corporations Act* from the Managing Director & CEO and the Chief Financial Officer for the year ended 31 December 2015

(b) in the directors' opinion, the financial statements and notes for the year ended 31 December 2015, and the Remuneration Report, are in accordance with the *Corporations Act*, including:
   (i) section 296 (compliance with accounting standards), and
   (ii) section 297 (true and fair view)

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

(d) a statement of compliance with International Financial Reporting Standards has been included in note A to the financial statements for the year ended 31 December 2015, and

(e) at the date of this declaration, there are reasonable grounds to believe that the companies in the Caltex Australia Group that are parties to the Deed of Cross Guarantee dated 22 December 1992 with Caltex Australia Limited (including companies added by Assumption Deed), as identified in note F1 to the financial statements for the year ended 31 December 2015, will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the Deed of Cross Guarantee.

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

G Gailey
Chairman

J Segal
Managing Director & CEO

Sydney, 23 February 2016

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF CALTEX AUSTRALIA LIMITED

Report on the financial report

We have audited the accompanying financial report of Caltex Australia Limited (the Company), which comprises the consolidated balance sheet as at 31 December 2015, and consolidated income statement, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated cash flows statement for the year ended on that date, notes A to G comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

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

Independence

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

Auditor's opinion

In our opinion:

(a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:
   (i) giving a true and fair view of the Company's and the Group's financial position as at 31 December 2015 and of their performance for the year ended on that date; and
   (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

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

Report on the remuneration report

We have audited the Remuneration Report included in pages 21 to 45 of the directors' report for the year ended 31 December 2015. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Caltex Australia Limited for the year ended 31 December 2015, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Greg Boydell
Partner

Sydney, 23 February 2016

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CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015

Thousands of dollars	Note	2015	2014
Revenue	B1	**20,027,284**	24,231,200
Replacement cost of goods sold (excluding product duties and taxes and inventory (losses)/gains)		**(12,903,682)**	(16,951,754)
Product duties and taxes		**(4,941,311)**	(5,262,166)
Inventory (losses)/gains		**(193,418)**	(515,694)
Cost of goods sold – historical cost		**(18,038,411)**	(22,729,614)
Gross profit		**1,988,873**	1,501,586
Other income	B1	**23,641**	726
Net foreign exchange losses		**(26,616)**	(21,730)
Selling and distribution expenses		**(1,039,239)**	(1,097,882)
General and administration expenses		**(135,309)**	(241,913)
Results from operating activities		**811,350**	140,787
Finance costs		**(82,202)**	(119,604)
Finance income		**5,490**	8,234
Net finance costs	B2	**(76,712)**	(111,370)
Share of net profit of entities accounted for using the equity method	F3.4	**5,008**	917
Profit before income tax expense		**739,646**	30,334
Income tax expense	E1	**(217,025)**	(7,664)
Net profit		**522,621**	22,670
Profit attributable to:			
Equity holders of the parent entity		**521,507**	19,931
Non-controlling interest		**1,114**	2,739
Net profit		**522,621**	22,670
Basic and diluted earnings per share:			
Historical cost – cents per share	B4	**193.2**	7.4

The consolidated income statement for the year ended 31 December 2015 includes a significant gain of $31,924,000 before tax (2014: $160,163,000 loss before tax). Details of these items are disclosed in notes B1 and B2.

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 2015

Thousands of dollars	2015	2014
Profit for the period	**522,621**	22,670
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Actuarial gain on defined benefit plans	**1,507**	8,608
Tax on items that will not be reclassified to profit or loss	**(452)**	(2,582)
Total items that will not be reclassified to profit or loss	**1,055**	6,026
Items that may be reclassified subsequently to profit or loss:		
Foreign operations – foreign currency translation differences	**7,716**	1,446
Effective portion of changes in fair value of cash flow hedges	**23,690**	18,640
Net change in fair value of cash flow hedges reclassified to profit or loss	**(22,905)**	(8,299)
Tax on items that may be reclassified subsequently to profit or loss	**(234)**	(3,103)
Total items that may be reclassified subsequently to profit or loss	**8,267**	8,684
Other comprehensive income for the period, net of income tax	**9,322**	14,710
Total comprehensive income for the period	**531,943**	37,380
Attributable to:		
Equity holders of the parent entity	**530,829**	34,641
Non-controlling interest	**1,114**	2,739
Total comprehensive income for the period	**531,943**	37,380

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

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2015

Thousands of dollars	Note	2015	2014
Current assets			
Cash and cash equivalents		**263,764**	53,122
Receivables	C1	**681,542**	837,672
Inventories	C2	**969,885**	1,118,084
Current tax assets		**51,167**	56,704
Other		**38,881**	33,754
Total current assets		**2,005,239**	2,099,336
Non-current assets			
Receivables	C1	**2,824**	3,246
Investments accounted for using the equity method	F3	**9,412**	24,181
Intangibles	C3	**182,626**	188,188
Property, plant and equipment	C4	**2,602,865**	2,363,672
Deferred tax assets	E2	**298,158**	442,183
Employee benefits	C7	**1,411**	6,719
Other		**2,206**	1,009
Total non-current assets		**3,099,502**	3,029,198
Total assets		**5,104,741**	5,128,534
Current liabilities			
Payables	C5	**966,806**	1,175,515
Interest bearing liabilities	D1	**122**	110
Current tax liabilities		**30,478**	–
Employee benefits	C7	**109,993**	163,200
Provisions	C6	**110,350**	165,075
Total current liabilities		**1,217,749**	1,503,900
Non-current liabilities			
Payables	C5	**9,743**	7,642
Interest bearing liabilities	D1	**695,238**	692,169
Employee benefits	C7	**50,669**	59,253
Provisions	C6	**343,537**	332,979
Total non-current liabilities		**1,099,187**	1,092,043
Total liabilities		**2,316,936**	2,595,943
Net assets		**2,787,805**	2,532,591
Equity			
Issued capital	D5	**543,415**	543,415
Treasury stock		**(644)**	(607)
Reserves		**(9,223)**	(3,498)
Retained earnings		**2,241,981**	1,981,319
Total parent entity interest		**2,775,529**	2,520,629
Non-controlling interest		**12,276**	11,962
Total equity		**2,787,805**	2,532,591

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 2015

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 2014	543,415	(610)	(240)	(9,265)	(753)	2,055,262	2,587,809	9,223	2,597,032
Total comprehensive income for the year									
Profit for the year	–	–	–	–	–	19,931	19,931	2,739	22,670
Total other comprehensive income	–	–	1,446	7,238	–	6,026	14,710	–	14,710
Total comprehensive income for the year	–	–	1,446	7,238	–	25,957	34,641	2,739	37,380
Own shares acquired	–	(8,971)	–	–	–	–	(8,971)	–	(8,971)
Shares vested to employees	–	8,974	–	–	(8,974)	–	–	–	–
Expense on equity settled transactions	–	–	–	–	7,050	–	7,050	–	7,050
Dividends to shareholders	–	–	–	–	–	(99,900)	(99,900)	–	(99,900)
Balance at 31 December 2014	543,415	(607)	1,206	(2,027)	(2,677)	1,981,319	2,520,629	11,962	2,532,591
Balance at 1 January 2015	**543,415**	**(607)**	**1,206**	**(2,027)**	**(2,677)**	**1,981,319**	**2,520,629**	**11,962**	**2,532,591**
Total comprehensive income for the year									
Profit for the year	–	–	–	–	–	**521,507**	**521,507**	**1,114**	**522,621**
Total other comprehensive income	–	–	**7,716**	**551**	–	**1,055**	**9,322**	–	**9,322**
Total comprehensive income for the year	–	–	**7,716**	**551**	–	**522,562**	**530,829**	**1,114**	**531,943**
Own shares acquired, net of tax	–	**(29,304)**	–	–	**5,999**	–	**(23,305)**	–	**(23,305)**
Shares vested to employees	–	**29,267**	–	–	**(29,267)**	–	–	–	–
Expense on equity settled transactions	–	–	–	–	**9,276**	–	**9,276**	–	**9,276**
Dividends to shareholders	–	–	–	–	–	**(261,900)**	**(261,900)**	**(800)**	**(262,700)**
Balance at 31 December 2015	**543,415**	**(644)**	**8,922**	**(1,476)**	**(16,669)**	**2,241,981**	**2,775,529**	**12,276**	**2,787,805**

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 2015

Thousands of dollars	Note	2015	2014
Cash flows from operating activities			
Receipts from customers		**22,895,469**	27,789,449
Payments to suppliers, employees and governments		**(21,896,673)**	(26,896,686)
Shares acquired for vesting employee benefits		**(29,304)**	(8,971)
Dividends and disbursements received		**3,014**	600
Interest received		**5,561**	9,470
Interest and other finance costs paid		**(61,729)**	(118,338)
Income taxes paid		**(31,672)**	(93,955)
Net operating cash inflows	G5.2	**884,666**	661,569
Cash flows from investing activities			
Purchase of assets and liabilities through business combination	F2	**(7,268)**	(86,466)
Purchases of property, plant and equipment		**(340,096)**	(372,116)
Major cyclical maintenance		**(91,422)**	(19,120)
Purchases of intangibles		**(15,414)**	(23,337)
Net proceeds from sale of property, plant and equipment		**43,095**	25,290
Net investing cash outflows		**(411,105)**	(475,749)
Cash flows from financing activities			
Proceeds from borrowings		**7,676,000**	6,811,500
Repayments of borrowings		**(7,676,000)**	(7,044,020)
Repayment of finance lease principal		**(219)**	(200)
Dividends paid to non-controlling interest		**(800)**	–
Dividends paid		**(261,900)**	(99,900)
Net financing cash outflows		**(262,919)**	(332,620)
Net increase/(decrease) in cash and cash equivalents		**210,642**	(146,800)
Cash and cash equivalents at the beginning of the year		**53,122**	199,922
Cash and cash equivalents at the end of the year	G5.1	**263,764**	53,122

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

A BASIS OF PREPARATION

Caltex Australia Limited (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 2015 comprise the company and its controlled entities (together referred to as the Caltex Group) and the Caltex Group's interest in associates and jointly controlled entities. The Caltex Group is a for-profit entity and is primarily involved in the purchase, refining, distribution and marketing of petroleum products and the operation of convenience stores.

The consolidated financial statements were approved by the Caltex Board and authorised for issue on 23 February 2016.

The financial report has been prepared as a general purpose financial report and complies with the requirements of the *Corporations Act* and Australian Accounting Standards (AASBs). The consolidated financial report 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 cost less the present value of the defined benefit obligation.

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

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

The Caltex 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 are effective for annual periods beginning after 1 January 2016, and have not been applied in preparing these consolidated financial statements. Refer to note G8.

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 Caltex Group.

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

Judgements made by management in the application of AASBs that have a significant effect on the consolidated financial report and estimates with a significant risk of material adjustment in the 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 D2 provides an explanation of the foreign exchange, interest rate and commodity price exposures of the Group and the risk in relation to foreign exchange, interest rate and commodity price movements, and
- note C6 provides key sources of estimation, uncertainty and assumptions used in regard to estimation of provisions.

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.

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 rebates, discounts and allowances.

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

Other revenue

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

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 date a contract of sale is settled, because it is at this time that:

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

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

Thousands of dollars	2015	2014
Revenue		
Sale of goods	**19,692,110**	23,878,180
Other revenue		
Rental income	**70,777**	71,671
Royalties and franchise income	**113,841**	106,617
Transaction and merchant fees	**100,886**	99,403
Other	**49,670**	75,329
Total other revenue	**335,174**	353,020
Total revenue	**20,027,284**	24,231,200
Other income		
Net gain on sale of property, plant and equipment	**23,641**	726

Significant items

During 2015, the Group recognised a significant gain before tax totalling $31,924,000 in the income statement. This related to the sale of surplus property in Western Australia and is included in net gain on sale of property, plant and equipment.

During 2014, the Group did not incur any significant item gains.

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	2015	2014
Finance costs		
Interest expense	**64,367**	108,793
Finance charges on capitalised leases	**109**	29
Unwinding of discount on provisions	**21,428**	25,475
Less: capitalised finance costs	**(3,702)**	(14,693)
Finance costs	**82,202**	119,604
Finance income	**(5,490)**	(8,234)
Net finance costs	**76,712**	111,370
Depreciation and amortisation		
Depreciation of:		
Buildings	**13,113**	12,993
Plant and equipment	**155,016**	162,179
	168,129	175,172
Amortisation of:		
Leasehold property	**10,237**	9,704
Leased plant and equipment	**–**	243
Intangibles	**14,183**	17,866
	24,420	27,813
Total depreciation and amortisation	**192,549**	202,985
Selected expenses		
Total personnel expenses	**366,071**	396,745

Significant items

During 2015, the Group did not incur any significant item losses.

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

Of this total $160,163,000 significant items, $144,607,000 is included in general and administration expenses, $20,311,000 is included in finance costs and $4,755,000 is included in foreign exchange gains.

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.

The Group's business model has changed following the closure of the Kurnell refinery in October 2014 and the establishment of Ampol Singapore to source crude and refined products. The information provided to the Group's chief operating decision maker has been adjusted to align with the new business model. The Group determines and presents operating segments based on the information provided to the Group's chief operating decision maker and these are summarised below. Comparative information has been restated.

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

Income taxes and net financial 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 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:

Supply and Marketing

The Supply and Marketing function is an integrated transport fuel supply chain which sources refined products on the international market and sells Caltex fuels, lubricants, specialty products and convenience store goods through a national network of Caltex, Caltex Woolworths and Ampol branded service stations, as well as through company owned and non-equity resellers and direct sales to corporate customers. The Group's broad distribution capabilities encompass pipelines, terminals, depots and both an owned and contracted transportation fleet.

Lytton

Lytton refinery in Brisbane refines crude oil into petrol, diesel, jet fuel and many specialty products such as liquid petroleum gas.

B3 Segment reporting continued

B3.2 Information about reportable segments

	SUPPLY AND MARKETING		LYTTON		TOTAL OPERATING SEGMENTS	
Thousands of dollars	2015	2014	2015	2014	2015	2014
Gross segment revenue	**19,029,324**	23,038,133	**88,870**	183,889	**19,118,194**	23,222,023
Product duties and taxes	**(4,941,309)**	(5,269,246)	–	–	**(4,941,309)**	(5,269,247)
External segment revenue	**14,088,015**	17,768,887	**88,870**	183,889	**14,176,885**	17,952,776
Inter-segment revenue	–	–	**3,723,888**	4,798,110	**3,723,888**	4,798,110
Total segment revenue	**14,088,015**	17,768,887	**3,812,758**	4,981,999	**17,900,773**	22,750,886
Share of profit of associates and joint ventures	**5,008**	917	–	–	**5,008**	917
Depreciation and amortisation	**(138,893)**	(135,517)	**(47,743)**	(34,354)	**(186,636)**	(169,871)
Replacement Cost of Sales Operating Profit (RCOP) before interest and income tax	**666,310**	658,086	**406,000**	217,868	**1,072,310**	875,954
Other material items:						
Inventory losses	**(193,418)**	(515,694)	–	–	**(193,418)**	(515,694)
Capital expenditure (including acquisitions)	**(353,879)**	(274,193)	**(99,722)**	(230,940)	**(453,601)**	(505,133)

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

Thousands of dollars	2015	2014
Revenues		
Total revenue for reportable segments	**17,900,773**	22,750,886
Product duties and taxes	**4,941,309**	5,269,247
Elimination of inter-segment revenue	**(3,723,888)**	(4,798,110)
Total reportable segments gross revenue	**19,118,194**	23,222,023
Non-fuel income and rebates	**573,916**	656,157
Other revenue	**335,174**	353,020
Consolidated revenue	**20,027,284**	24,231,200
Profit or loss		
Segment RCOP before interest and income tax, excluding significant items	**1,072,310**	875,954
Other expenses	**(95,572)**	(81,443)
RCOP before interest and income tax, excluding significant items	**976,738**	794,511
Significant items excluded from profit or loss reported to the chief operating decision maker:		
Net gain on sale of property in WA	**31,924**	–
Consulting fees	–	(25,065)
Foreign exchange gains on repayment of finance facilities	–	4,755
Redundancy expenses	–	(53,814)
Contract cancellation costs	–	(12,000)
Provisions relating to asset rationalisation projects	–	(53,728)
RCOP before interest and income tax	**1,008,662**	654,659
Inventory (losses)/gains	**(193,418)**	(515,694)
Consolidated historical cost profit before interest and income tax	**815,244**	138,965
Net financing costs	**(76,712)**	(111,370)
Net profit/(loss) attributable to non-controlling interest	**1,114**	2,739
Consolidated profit before income tax	**739,646**	30,334

Thousands of dollars	Reportable segment totals	Other	Consolidated totals
Other material items 2015			
Depreciation and amortisation	**(186,636)**	**(5,913)**	**(192,549)**
Inventory losses	**(193,418)**	**–**	**(193,418)**
Capital expenditure	**(453,601)**	**(4,033)**	**(457,634)**
Other material items 2014			
Depreciation and amortisation	(169,871)	(33,114)	(202,985)
Inventory losses	(515,694)	–	(515,694)
Capital expenditure	(505,133)	(4,412)	(509,545)

B3.4 Geographical segments

The Group operates in Australia and Singapore. Revenue is predominantly generated in Australia. All of the Group's non-financial non-current assets are located in the Group's country of domicile, Australia.

B3.5 Major customer

Revenues from one customer of the Group's Supply and Marketing segment represent approximately $3,600,000,000 (2014: $4,700,000,000) of the Group's total gross sales revenue (excluding product duties and taxes).

B3.6 Revenue from products and services

Thousands of dollars	2015	2014
Petrol	**5,827,805**	7,101,556
Diesel	**6,187,424**	7,599,818
Jet	**1,622,921**	2,307,913
Lubricants	**225,019**	273,552
Specialty and other products	**246,209**	669,938
Crude	**67,507**	–
Non-fuel income and rebates	**573,916**	656,157
Product duties and taxes	**4,941,309**	5,269,246
Other revenue	**335,174**	353,020
	20,027,284	24,231,200

B4 Earnings per share

Cents per share	2015	2014
Historical cost	**193.2**	7.4
RCOP excluding significant items	**232.7**	182.6

The calculation of historical cost basic earnings per share for the year ended 31 December 2015 was based on the net profit attributable to ordinary shareholders of the parent entity of $521,507,000 (2014: $19,931,000) and a weighted average number of ordinary shares outstanding during the year ended 31 December 2015 of 270 million shares (2014: 270 million shares).

The calculation of RCOP excluding significant items basic earnings per share for the year ended 31 December 2015 was based on the net RCOP profit attributable to ordinary shareholders of the parent entity of $628,400,000 (2014: $493,031,000) and a weighted average number of ordinary shares outstanding as disclosed during the year ended 31 December 2015 of 270 million shares (2014: 270 million shares). RCOP is calculated by adjusting the statutory profit for significant items and inventory gains and losses as follows:

Thousands of dollars	2015	2014
Net profit after tax attributable to equity holders of the parent entity	**521,507**	19,931
Adjust: Significant items (gains)/losses after tax	**(28,500)**	112,114
Adjust: Inventory losses after tax	**135,393**	360,986
RCOP excluding significant items after tax	**628,400**	493,031

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

B5 Dividends

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
2015				
Interim 2015	**30 September 2015**	**Franked**	**47**	**126,900**
Final 2014	**2 April 2015**	**Franked**	**50**	**135,000**
Total amount			**97**	**261,900**
2014				
Interim 2014	1 October 2014	Franked	20	54,000
Final 2013	3 April 2014	Franked	17	45,900
Total amount			37	99,900

Subsequent events

Since 31 December 2015, 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 2015.

Final 2015	4 April 2016	Franked	70	189,000

B5.2 Dividend franking account

Thousands of dollars	2015	2014
30% franking credits available to shareholders of Caltex Australia Limited for subsequent financial years	**1,102,168**	1,125,403

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 $81,000,000 (2014: $57,857,143).

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	2015	2014
Current		
Trade debtors	**639,943**	758,165
Allowance for impairment	**(8,235)**	(5,951)
	631,708	752,214
Associated entities	**11,418**	29,903
Other related entities	**1,061**	1,415
Other debtors	**37,355**	54,140
	681,542	837,672
Non-current		
Other loans	**2,824**	3,246

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

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

An impairment loss is reversed when an event, occurring after the impairment loss was recognised, objectively indicates an increase in the recoverable amount.

Impaired receivables

As at 31 December 2015, current trade receivables of the Group with a nominal value of $8,235,000 (2014: $5,951,000) were impaired. The individually impaired receivables relate to a variety of customers who are in financial difficulties. No collateral is held over these impaired receivables.

As at 31 December 2015, trade receivables of $27,997,000 (2014: $68,795,000) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default. The ageing analysis of receivables past due but not impaired is as follows:

Thousands of dollars	2015	2014
Past due 0 – 30 days	**25,430**	62,276
Past due 31 – 60 days	**2,514**	3,404
Past due greater than 60 days	**53**	3,115
	27,997	68,795

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

Thousands of dollars	2015	2014
At 1 January	**5,951**	4,809
Provision for impairment recognised during the year	**7,984**	3,323
Receivables written off during the year as uncollectible	**(5,700)**	(2,181)
At 31 December	**8,235**	5,951

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.

C1 Receivables continued

Fair value and credit risk

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value. Maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above. Refer to note D2.4 for further details.

C2 Inventories

Thousands of dollars	2015	2014
Crude oil and raw materials	**177,954**	170,715
Inventory in process	**65,137**	114,959
Finished goods	**709,426**	816,374
Materials and supplies	**17,368**	16,036
At 31 December	**969,885**	1,118,084

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

The amount of any write-down or loss of inventory is recognised as an expense in the period it is incurred. Inventory write-downs may be reversed when net realisable value increases subsequent to initial write-down. The reversal is limited to the original write-down amount.

Inventories held at 31 December 2015 were written down to their net realisable value. The amount of the write-down was $48,100,000 (2014: $117,000,000) and is included in inventory losses in the income statement.

C3 Intangibles

Thousands of dollars	Note	Goodwill	Rights and licences	Software	Total
Cost					
At 1 January 2015		**143,126**	**31,321**	**99,925**	**274,372**
Acquisitions through business combinations	F2	**4,512**	**779**	**–**	**5,291**
Additions		**–**	**–**	**15,414**	**15,414**
Impairment		**–**	**–**	**(12,000)**	**(12,000)**
Disposals		**–**	**–**	**(332)**	**(332)**
Balance at 31 December 2015		**147,638**	**32,100**	**103,007**	**282,745**
Cost					
At 1 January 2014		113,553	25,844	87,471	226,868
Acquisitions through business combinations	F2	29,573	8,101	–	37,674
Additions		–	–	23,337	23,337
Disposals		–	(2,624)	(10,883)	(13,507)
Balance at 31 December 2014		143,126	31,321	99,925	274,372
Amortisation					
At 1 January 2015		**(16,391)**	**(10,186)**	**(59,607)**	**(86,184)**
Amortisation for the year		**–**	**(4,709)**	**(9,474)**	**(14,183)**
Disposals		**–**	**–**	**248**	**248**
Balance at 31 December 2015		**(16,391)**	**(14,895)**	**(68,833)**	**(100,119)**
Amortisation					
At 1 January 2014		(16,391)	(8,327)	(57,903)	(82,621)
Amortisation for the year		–	(3,859)	(14,007)	(17,866)
Disposals		–	2,000	12,303	14,303
Balance at 31 December 2014		(16,391)	(10,186)	(59,607)	(86,184)

Thousands of dollars	Goodwill	Rights and licences	Software	Total
Carrying amount				
At 1 January 2015	**126,735**	**21,135**	**40,318**	**188,188**
Balance at 31 December 2015	**131,247**	**17,205**	**34,174**	**182,626**
Carrying amount				
At 1 January 2014	97,162	17,517	29,568	144,247
Balance at 31 December 2014	126,735	21,135	40,318	188,188

The amortisation charge of $14,183,000 (2014: $17,866,000) 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.

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

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 – 17%
Software not integrated with hardware	17%
Rights and licences	6 – 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 assets' recoverable amounts are estimated and, if required, an impairment is recognised in the income statement.

Impairment tests for cash-generating units containing goodwill

Goodwill has historically been attached to distributor businesses. Following the reorganisation of Caltex's business model, the distributor businesses have been integrated within Caltex's Supply and Marketing business. Goodwill has been reallocated to a cash-generating unit containing all the assets in the integrated value chain (inclusive of retail sites, depots, pipeline and terminals) on a state by state basis.

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

There were no goodwill impairment losses recognised during the year ended 31 December 2015 (2014: nil).

C3 Intangibles continued

Key assumptions used in value in use calculations

Key assumption	Basis for determining value in use assigned to key assumption
Cash flow	Earnings before interest, tax, depreciation and amortisation
Estimated long term average growth rate	2.5%
Discount period	Represents the longest remaining life of assets acquired
Discount rate	The risk specific to the asset

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

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

C4 Property, plant and equipment

Thousands of dollars	2015	2014
Freehold land		
At cost	**405,908**	384,276
Accumulated impairment losses	**(37,284)**	(37,284)
Net carrying amount	**368,624**	346,992
Buildings		
At cost	**596,410**	558,200
Accumulated depreciation and impairment losses	**(242,650)**	(231,720)
Net carrying amount	**353,760**	326,480
Leasehold property		
At cost	**169,347**	158,895
Accumulated amortisation	**(92,924)**	(84,133)
Net carrying amount	**76,423**	74,762
Plant and equipment		
At cost	**5,227,943**	4,724,400
Accumulated depreciation and impairment losses	**(3,785,157)**	(3,663,930)
Net carrying amount	**1,442,786**	1,060,470
Capital projects in progress		
At cost	**377,392**	571,088
Accumulated impairment losses	**(16,120)**	(16,120)
Net carrying amount	**361,272**	554,968
Total net carrying amount	**2,602,865**	2,363,672

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 made in accordance with the impairment policy noted below.

Leased assets

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

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 – 10%
Plant and equipment	3 – 25%
Leased plant and equipment	3 – 25%

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

C4 Property, plant and equipment continued

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.

Reconciliations

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

Thousands of dollars	2015	2014
Freehold land		
Carrying amount at the beginning of the year	**346,992**	328,380
Additions	**22,537**	12,187
Acquisition through business combination	**380**	11,830
Disposals	**(1,285)**	(5,405)
Carrying amount at the end of the year	**368,624**	346,992
Buildings		
Carrying amount at the beginning of the year	**326,480**	251,682
Additions	**2,654**	1,529
Acquisition through business combination	**–**	13,824
Disposals	**(2,340)**	(1,664)
Transfers from capital projects in progress	**40,079**	74,102
Depreciation	**(13,113)**	(12,993)
Carrying amount at the end of the year	**353,760**	326,480
Leasehold property		
Carrying amount at the beginning of the year	**74,762**	62,455
Additions	**2,604**	304
Disposals	**(605)**	(38)
Transfers from capital projects in progress	**9,899**	21,745
Amortisation	**(10,237)**	(9,704)
Carrying amount at the end of the year	**76,423**	74,762
Plant and equipment		
Carrying amount at the beginning of the year	**1,060,470**	982,112
Additions	**349,971**	17,965
Acquisition through business combination	**1,329**	16,548
Disposals	**(15,140)**	(18,253)
Transfers from capital projects in progress	**201,172**	224,277
Depreciation	**(155,016)**	(162,179)
Carrying amount at the end of the year	**1,442,786**	1,060,470
Capital projects in progress		
Carrying amount at the beginning of the year	**554,968**	500,745
Additions	**53,752**	359,654
Borrowing costs capitalised	**3,702**	14,693
Transfers to buildings, leased property, plant and equipment	**(251,150)**	(320,124)
Carrying amount at the end of the year	**361,272**	554,968

C5 Payables

Thousands of dollars	2015	2014
Current		
Trade creditors – unsecured		
– Related entities	–	126,271
– Other corporations and persons	**673,072**	484,128
Other creditors and accrued expenses	**293,734**	565,116
	966,806	1,175,515
Non-current		
Other creditors and accrued expenses	**9,743**	7,642

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 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 2015	481,581	16,473	498,054
Provisions made during the year	9,929	14,714	24,643
Provisions used during the year	(83,834)	(6,072)	(89,906)
Discounting movement	21,096	–	21,906
Balance at 31 December 2015	428,772	25,115	453,887
Current	88,556	21,794	110,350
Non-current	340,216	3,321	343,537
	428,772	25,115	453,887

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.

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.

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

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

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

C6 Provisions continued

Site remediation and dismantling

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

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

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

Costs for the future dismantling and removal of assets, and restoration of the site on which the assets are located, are provided for and capitalised upon initial construction of the asset, where an obligation to incur such costs arises. The present value of the expected future cash flows required to settle these obligations is capitalised and depreciated over the useful life of the asset.

Subsequent accretion to the amount of a provision due to unwinding of the discount is recognised as a finance cost. A change in estimate of the provision is added to or deducted from the cost of the related asset in the period of the change, to the extent that any amount of deduction does not exceed the carrying amount of the asset. Any deduction in excess of the carrying amount is recognised in the consolidated income statement immediately. If an adjustment results in an addition to the cost of the related asset, consideration will be given to whether an indication of impairment exists and the impairment policy will be applied.

Dividends

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

Other

Other includes legal, insurance and other provisions.

C7 Employee benefits

Thousands of dollars	2015	2014
Non-current assets		
Defined benefit superannuation asset	**1,411**	6,719
Total asset for employee benefits	**1,411**	6,719
Current liabilities		
Liability for annual leave	**32,743**	34,885
Liability for long service leave	**8,028**	9,265
Liability for termination benefits	**16,503**	58,898
Bonus accrued	**52,719**	60,152
Total current liability for employee benefits	**109,993**	163,200
Non-current liabilities		
Liability for long service leave	**37,781**	43,600
Liability for termination benefits	**9,898**	9,791
Defined benefit superannuation obligation	**2,990**	5,862
Total non-current liability for employee benefits	**50,669**	59,253
Total liability for employee benefits	**159,251**	215,734

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	Note	2015	2014
Current			
Lease liabilities	G1	**122**	110
		122	110
Non-current			
Domestic medium term notes		**149,750**	149,667
Subordinated note		**544,578**	541,470
Lease liabilities	G1	**910**	1,032
		695,238	692,169

Domestic medium term and subordinated notes

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

D2 Risk management

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

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

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 discretionary trading in financial instruments shall be undertaken.

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

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

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

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

Cash flow hedges

Interest rate instruments, forward exchange contracts, foreign currency options, cross currency swaps and crude and finished products swap contracts are classified as cash flow hedges. The effective portion of changes in fair value of these derivative financial instruments is recognised directly in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are transferred to the 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, any cumulative gain or loss existing in equity at the time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. 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 income statement.

D2 Risk management continued

D2.1 Interest rate risk

Interest rate instruments

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

At 31 December 2015, the fixed rates under these swap contracts varied from 3.4% p.a. to 5.3% p.a. (2014: 3.4% p.a. to 5.3% p.a.), a weighted average rate of 4.6% p.a. (2014: 4.3% p.a.).

The net fair value of interest rate swap contracts at 31 December 2015 was a $1,640,000 loss (2014: $5,124,000 loss).

Interest rate sensitivity analysis

At 31 December 2015, 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:

	2015		2014	
Dollars	Post-tax profit	Hedge reserve	Post-tax profit	Hedge reserve
Interest rates decrease by 1%	**2,000,000**	**(700,000)**	3,500,000	(1,900,000)
Interest rates increase by 1%	**(2,000,000)**	**600,000**	(3,500,000)	1,800,000

Interest rate risk exposure

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

Thousands of dollars		2015	2014
Financial assets			
Cash at bank and on hand		**263,764**	53,122
		263,764	53,122
Financial liabilities			
Variable rate borrowings			
Subordinated note	D1	**394,578**	391,470
Fixed interest rate – repricing dates:			
Twelve months or less	D1	**100,122**	110
One to five years	D1	**200,660**	300,699
		695,360	692,279

D2.2 Foreign exchange risk

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

Forward foreign exchange contracts and currency options are used to hedge foreign currency payables in accordance with Group Policy. The Group implemented a foreign exchange policy in June 2010 of hedging 50% of the Group's US dollar denominated crude and products payable. From 1 August 2014, the amended foreign exchange policy increased to 80% of the Group's US dollar denominated crude and products payable. The Group also enters into forward foreign exchange contracts to cover major capital expenditure items. As at 31 December 2015, the total fair value of all outstanding forward contracts amounted to a $476,000 gain (2014: $2,851,000 gain).

Foreign exchange rate sensitivity analysis

At 31 December 2015, had the Australian dollar strengthened/weakened by 10% against the US dollar with all other variables held constant, the impact on post-tax profit for the year for the Group and equity would have been:

	2015		2014	
Dollars	Post-tax profit	Hedge reserve	Post-tax profit	Hedge reserve
AUD strengthens against USD 10%	**8,000,000**	**(20,000)**	12,300,000	(50,000)
AUD weakens against USD 10%	**5,700,000**	**30,000**	3,000,000	60,000

Exposure to foreign exchange risk

	2015			2014		
Thousands of dollars (Australian dollar equivalent amounts)	US dollar	Australian dollar	Total	US dollar	Australian dollar	Total
Cash and cash equivalents	**43,266**	**220,498**	**263,764**	6,115	47,007	53,122
Trade receivables	**92,398**	**591,968**	**684,366**	106,980	733,938	840,918
Trade payables	**(556,484)**	**(420,541)**	**(977,025)**	(598,722)	(587,286)	(1,186,008)
Forward exchange contracts	**(475)**	**–**	**(475)**	448	–	448
Foreign currency option contracts	**951**	**–**	**951**	2,403	–	2,403

D2.3 Commodity price risk

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

The Group utilises both crude and finished product swap contracts to manage the risk of price movements. The commodity hedging policy seeks to minimise adverse price timing risks and basis exposures brought about by purchase and sales transactions.

Caltex's policy has been not to hedge refiner margins. However, given the unusual strength in regional refiner margins currently, Caltex hedged a portion of its third quarter 2015 refiner margins in order to support near term earnings.

At 31 December 2015, 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:

	2015		2014	
Dollars	Post-tax profit	Hedge reserve	Post-tax profit	Hedge reserve
Commodity prices increase 10%	**(930,000)**	**–**	–	–
Commodity prices decrease 10%	**930,000**	**–**	–	–

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, net of allowances for impairment (see note C1).

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

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

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

D2 Risk management continued

D2.4 Credit risk continued

Financial institution credit risk

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

Swap contracts, foreign exchange contracts and crude and finished product swap contracts are subject to credit risk in relation to the relevant counterparties, which are principally large relationship banks.

The maximum credit risk exposure on foreign currency contracts is the fair value amount of the foreign currency that Caltex receives when settlement occurs, should the counterparty fail to pay the amount which it is committed to pay the Group. The full amount of the exposure is disclosed at note D2.2.

The credit risk on interest rate swaps is limited to the positive mark to market amount to be received from counterparties over the life of contracts that are favourable to the Group. As at 31 December 2015, there is no expected credit risk on any financial instruments (2014: nil).

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, 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 cash flows on derivative and non-derivative financial assets and liabilities at the reporting date, including drawn borrowings and interest.

	2015			2014		
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	**(515,388)**	**512,064**	**(3,324)**	(300,993)	298,482	(2,511)
One to five years	**(1,287)**	**797**	**(490)**	(4,315)	2,575	(1,740)
			(3,814)			(4,251)

	2015		2014	
Thousands of dollars	Other financial liabilities	Net other financial (liabilities)/ assets	Other financial liabilities	Net other financial (liabilities)/ assets
Non-derivative financial instruments				
Less than one year	**(1,022,385)**	**(1,022,385)**	(1,225,186)	(1,225,186)
One to five years	**(342,439)**	**(342,439)**	(796,267)	(796,267)
Over five years	**(1,348,210)**	**(1,348,210)**	–	–
		(2,713,034)		(2,021,453)

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

Thousands of dollars	2015	2014
Financing arrangements		
Expiring beyond one year	**850,000**	850,000
	850,000	850,000

D3 Capital management

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

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

During 2015, the Group's strategy was to maintain a minimum long term credit rating of BBB+, in order to secure access to finance at a reasonable cost. The credit rating is impacted by two key ratios: Funds from Operations/Debt and Debt/Earnings Before Interest, Tax, Depreciation and Amortisation.

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

The gearing ratios at 31 December 2015 and 31 December 2014 were as follows:

Thousands of dollars	2015	2014
Total interest bearing liabilities	**695,360**	692,279
Less: cash and cash equivalents	**(263,764)**	(53,122)
Net debt	**431,596**	639,157
Total equity	**2,787,805**	2,532,591
Total capital	**3,219,401**	3,171,748
Gearing ratio	**13.4%**	20.2%

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.

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 2015	Carrying amount	Fair value total	Quoted market price (Level 1)	Observable inputs (Level 2)	Non-market observable inputs (Level 3)
Interest bearing liabilities					
Domestic medium term notes (i)	**(149,750)**	**(200,400)**	**–**	**(200,400)**	**–**
Subordinated note	**(544,578)**	**(564,438)**	**(564,438)**	**–**	**–**
Lease liabilities (ii)	**(1,032)**	**(1,242)**	**–**	**(1,242)**	**–**
Payables					
Interest rate swaps (iii)	**(1,640)**	**(1,640)**	**–**	**(1,640)**	**–**
Forward foreign exchange contracts (iii)	**(460)**	**(460)**	**–**	**(460)**	**–**
Foreign currency options (iii)	**952**	**952**	**–**	**952**	**–**
Commodity hedges (iii)	**6,422**	**6,422**	**–**	**6,422**	**–**
Total	**(690,086)**	**(760,806)**	**(564,438)**	**(196,368)**	**–**

D4 Fair value of financial assets and liabilities continued

THOUSANDS OF DOLLARS	ASSET/(LIABILITY)				
31 December 2014	Carrying amount	Fair value total	Quoted market price (Level 1)	Observable inputs (Level 2)	Non-market observable inputs (Level 3)
Interest bearing liabilities					
Domestic medium term notes [(i)]	(149,667)	(188,850)	–	(188,850)	–
Subordinated note	(541,470)	(579,634)	(579,634)	–	–
Lease liabilities [(ii)]	(1,142)	(1,425)	–	(1,425)	–
Payables					
Interest rate swaps [(iii)]	(5,124)	(5,124)	–	(5,124)	–
Forward foreign exchange contracts [(iii)]	448	448	–	448	–
Foreign currency options [(iii)]	2,403	2,403	–	2,403	–
Total	(694,552)	(772,182)	(579,634)	(192,548)	–

Estimation of fair values

(i) Domestic medium term notes

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

(ii) Lease liabilities

The fair value is estimated as the present value of future cash flows using the Group's risk free rate.

(iii) Derivatives

Interest rate instruments

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

Foreign exchange contracts

The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles as at reporting date. The fair value of foreign currency option contracts is determined using standard valuation techniques. Spot foreign exchange contracts are recorded at fair value, being the quoted market price at balance date.

Crude and finished product swap contracts

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

D5 Issued capital

Thousands of dollars	2015	2014
Ordinary shares		
Issued capital 270 million fully paid ordinary shares	**543,415**	543,415

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

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

Caltex grants performance rights to senior executives (refer to the Remuneration Report on pages 21 to 45 for further detail).

For each right that vests, Caltex purchases a share on-market following vesting.

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	2015	2014
Current tax expense:		
Current year	**74,938**	(17,492)
Adjustments for prior years	**(1,252)**	(618)
	73,686	(18,110)
Deferred tax benefit:		
Origination and reversal of temporary differences	**143,339**	102,212
Benefit of tax losses recognised	**–**	(76,438)
	143,339	25,774
Total income tax expense in the income statement	**217,025**	7,644

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

Thousands of dollars	2015	2014
Profit before income tax expense	**739,646**	30,334
Income tax using the domestic corporate tax rate of 30% (2014: 30%)	**221,894**	9,100
Effect of tax rates in foreign jurisdictions	**–**	(885)
Increase/(decrease) in income tax expense due to:		
Imputation gross-up on dividends received	**600**	–
Share of net profit of associated entities	**(838)**	(275)
Capital tax losses utilised for which no deferred tax asset was recognised	**(546)**	(2,305)
Research and development allowances	**(1,000)**	(333)
Franking credits on dividends received	**(600)**	–
Share based payments	**–**	(39)
Other	**(1,233)**	3,019
Income tax over provided in prior years	**(1,252)**	(618)
Total income tax expense in the income statement	**217,025**	7,664

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.

At the date of this report, the Australian Taxation Office (ATO) had not determined the extent to which earnings from the Group's Singaporean entities would be subject to income tax in Australia under the regime for the taxation of controlled foreign company income. Due to the uncertainty of the ATO's determination, the Group has estimated the income tax rate of 30% for 2015, being the Australian corporate income tax rate.

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 following temporary differences are not provided for: goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries, associates and jointly controlled entities to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

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

E2 Deferred tax continued

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 15	Recognised in income	Recognised in equity	Acquired in business combination	Balance at 31 Dec 15
Receivables	**1,853**	**69**	–	–	**1,922**
Inventories	**(1,507)**	**16,081**	–	–	**14,574**
Property, plant and equipment and intangibles	**124,882**	**(37,824)**	–	–	**87,058**
Payables	**13,539**	**(1,532)**	–	–	**12,007**
Interest bearing liabilities	**8,257**	**(5,455)**	**(234)**	–	**2,568**
Provisions	**221,032**	**(38,238)**	**(452)**	–	**182,342**
Tax value of recognised tax losses	**76,438**	**(76,438)**	–	–	–
Other	**(2,311)**	**(2)**	–	–	**(2,313)**
Net deferred tax asset	**442,183**	**(143,339)**	**(686)**	–	**298,158**

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

E2.2 Deferred tax recognised directly in equity

Thousands of dollars	2015	2014
Related to actuarial gains	**(452)**	(2,582)
Related to derivatives	**(234)**	(3,103)
	(686)	(5,685)

E2.3 Unrecognised deferred tax assets

Thousands of dollars	2015	2014
Capital tax losses	**129,411**	148,958

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.

E2.4 Tax consolidation

Caltex Australia Limited, as the head company, recognises all current tax balances relating to its wholly owned Australian resident entities included in the tax-consolidated group (TCG). The head entity, in conjunction with the other members of the TCG, has entered into a tax funding arrangement which sets out the funding obligations of members of the TCG in respect of tax amounts.

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 Group structure during the year.

F1 Controlled entities

Controlled entities are those entities controlled by the Caltex Group. Control exists when the Caltex 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 2015 and 2014:

		% INTEREST	
Name	Note	2015	2014
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), (viii)	**100**	–
Ampol Property (Holdings) Pty Ltd	(iii)	**100**	100
Ampol Refineries (Matraville) Pty Ltd		**100**	100
Ampol Road Pantry Pty Ltd.		**100**	100
Ampol Singapore Trading Pte Ltd	(ii)	**100**	100
Australian Petroleum Marine Pty Ltd	(iii)	**100**	100
B & S Distributors Pty Ltd	(iv)	**50**	50
Bowen Petroleum Services Pty Ltd		**100**	100
Brisbane Airport Fuel Services Pty Ltd		**100**	100
Calgas Pty Ltd		**100**	100
Calstores Pty Ltd	(iii)	**100**	100
Caltex Australia Custodians Pty Ltd		**100**	100
Caltex Australia Management Pty Ltd		**100**	100
Caltex Australia Nominees Pty Ltd		**100**	100
Caltex Australia Petroleum Pty Ltd	(iii)	**100**	100
Caltex Fuel Services Pty Ltd	(iii)	**100**	100
Caltex Lubricating Oil Refinery Pty Ltd	(iii)	**100**	100
Caltex Petroleum (Qld) Pty Ltd	(iii)	**100**	100
Caltex Petroleum (Victoria) Pty Ltd	(iii)	**100**	100
Caltex Petroleum Pty Ltd	(iii)	**100**	100
Caltex Petroleum Services Pty Ltd	(iii)	**100**	100
Caltex Refineries (NSW) Pty Ltd	(iii)	**100**	100
Caltex Refineries (Qld) Pty Ltd	(iii)	**100**	100
Circle Petroleum (Q'land) Pty Ltd		**100**	100
Cocks Petroleum Pty Ltd		**100**	100
Cooper & Dysart Pty Ltd		**100**	100
Graham Bailey Pty Ltd	(iii)	**100**	100
Hanietee Pty Ltd	(iii)	**100**	100
Hunter Pipe Line Company Pty Ltd	(iii)	**100**	100
Jayvee Petroleum Pty Ltd		**100**	100
Jet Fuels Petroleum Distributors Pty Ltd	(iii)	**100**	100
Link Energy Pty Ltd		**100**	100
Manworth Pty Ltd		**100**	100
Newcastle Pipe Line Company Pty Ltd	(iii)	**100**	100
Northern Marketing Management Pty Ltd		**100**	100
Northern Marketing Pty Ltd	(iii)	**100**	100
Octane Insurance Pte Ltd	(ii)	**100**	100
Pilbara Fuels Pty Ltd		**100**	100
R & T Lubricants Pty Ltd	(iii)	**100**	100

F1 Controlled entities continued

		% INTEREST	
Name	Note	2015	2014
Companies continued			
Ruzack Nominees Pty Ltd		**100**	100
Solo Oil Australia Pty Ltd		**100**	100
Solo Oil Corporation Pty Ltd		**100**	100
Solo Oil Investments Pty Ltd	(iii)	**100**	100
Solo Oil Pty Ltd	(iii)	**100**	100
South Coast Oils Pty Ltd		**100**	100
South East Queensland Fuels Pty Ltd		**100**	100
Sydney Metropolitan Pipeline Pty Ltd	(iv)	**60**	60
Teraco Pty Ltd	(iv)	**50**	50
Tulloch Petroleum Services Pty Ltd	(iii)	**100**	100
Western Fuel Distributors Pty Ltd	(iv)	**50**	50
Unit trusts			
Eden Equity Unit Trust	(v)	**100**	100
Petroleum Leasing Unit Trust	(vi)	**100**	100
Petroleum Properties Unit Trust	(vi)	**100**	100
South East Queensland Fuels Unit Trust	(vii)	**100**	100

(i) All companies are incorporated in Australia except those noted in (ii) and all unit trusts were formed in Australia.
(ii) These companies are incorporated in Singapore.
(iii) These companies are parties to a Deed of Cross Guarantee dated 22 December 1992 with Caltex and each other. No companies have been added to or removed from the Deed of Cross Guarantee during the year ended 31 December 2015 or from 1 January 2016 to the date of signing of this financial report.
(iv) These entities have been included as controlled entities in accordance with AASB 10 *Consolidated Financial Statements*. In each case, control exists because a company within the Caltex Group has the ability to dominate the composition of the entity's board of directors, or enjoys the majority of the benefits and is exposed to the majority of the risks of the entity.
(v) Caltex Petroleum Services Pty Ltd is the sole unit holder of this trust.
(vi) Solo Oil Pty Ltd is the sole unit holder of these trusts.
(vii) Caltex Australia Petroleum Pty Ltd and Caltex Petroleum Services Pty Ltd each own half of the units in this trust.
(viii) This company became part of the Caltex Group on 20 March 2015.

F1.1 Deed of cross guarantee

Income statement for entities covered by the Deed of Cross Guarantee

Thousands of dollars	2015	2014
Revenue	**19,814,461**	24,181,616
Cost of goods sold – historical cost	**(18,022,628)**	(22,710,323)
Gross profit	**1,791,833**	1,471,293
Other income	**(26,616)**	(21,730)
Operating expenses	**(1,120,756)**	(1,319,134)
Finance costs	**(76,712)**	(111,370)
Share of profit of equity-accounted investees	**5,008**	917
Profit before income tax expense	**572,757**	19,976
Income tax expense	**(166,802)**	(5,367)
Net profit	**405,955**	14,609
Other comprehensive income for the period, net of income tax	**1,606**	13,264
Total comprehensive income for the period	**407,561**	27,873
Retained earnings at the beginning of the year	**1,957,733**	2,036,998
Movement in reserves	**1,055**	6,026
Dividends provided for or paid	**(261,900)**	(99,900)
Retained earnings at the end of the year	**2,102,843**	1,957,733

Balance sheet for entities covered by the Deed of Cross Guarantee

Thousands of dollars	2015	2014
Current assets		
Cash and cash equivalents	**232,784**	38,707
Receivables	**532,124**	869,988
Inventories	**680,410**	936,689
Current tax asset	**81,645**	56,957
Other	**38,032**	31,963
Total current assets	**1,564,995**	1,934,304
Non-current assets		
Receivables	**2,824**	3,246
Investments accounted for using the equity method	**9,412**	24,181
Property, plant and equipment	**2,549,831**	2,321,944
Intangibles	**157,473**	163,035
Deferred tax assets	**298,426**	444,558
Employee benefits	**1,411**	6,719
Other	**1,760**	910
Total non-current assets	**3,021,137**	2,964,593
Total assets	**4,586,132**	4,898,897
Current liabilities		
Payables	**632,539**	983,423
Interest bearing liabilities	**19**	115
Current tax liabilities	**9,383**	–
Employee benefits	**109,993**	163,200
Provisions	**107,911**	164,583
Total current liabilities	**859,845**	1,311,321
Non-current liabilities		
Payables	**9,743**	7,641
Interest bearing liabilities	**695,238**	692,169
Employee benefits	**50,669**	59,253
Provisions	**343,168**	332,678
Total non-current liabilities	**1,098,818**	1,091,741
Total liabilities	**1,958,663**	2,403,062
Net assets	**2,627,469**	2,495,835
Equity		
Issued capital	**543,415**	543,415
Treasury stock	**(644)**	(607)
Reserves	**(18,145)**	(4,706)
Retained earnings	**2,102,843**	1,957,733
Total equity	**2,627,469**	2,495,835

F2 Business combinations

2015

Hawkins Fuels

On 23 July 2015, Caltex acquired two Caltex branded truck stops from Hawkins Fuels (Hawkins) for a consideration of $7,268,000 plus incidental acquisition costs.

Hawkins is an independent fuel reseller business that operates in Queensland. The acquisition complements Caltex's existing national network and is consistent with Caltex's strategy of being Australia's leading transport fuels provider.

In the five months up to 31 December 2015, Hawkins contributed a gross sales revenue of $1,178,000 and a net profit of $160,000 (including acquisition costs) to the consolidated gross sales revenue and net profit for the year. If the acquisition had occurred on 1 January 2015, the Group estimates that gross sales revenue would have been $1,476,000 greater and net profit would have been $804,000 greater.

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

Thousands of dollars	Recognised values
Intangibles	779
Property, plant and equipment	1,709
Inventories	268
Net identifiable assets and liabilities	2,756
Goodwill on acquisition	4,512
Consideration paid, satisfied in cash	7,268
Net cash outflow	(7,268)

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

Intangible assets acquired of $779,000 represents the amount paid to Hawkins for customer relationships and trade restraint, which meets the criteria for recognition as a separately identifiable intangible asset at the date of acquisition. These intangible assets are to be amortised over the remainder of the agreement term.

Goodwill acquired of $4,512,000 represents other intangible assets that did not meet the criteria for recognition as separately identifiable assets at the date of acquisition. None of the goodwill recognised is expected to be deductible for tax purposes.

There were no other material business combinations during the year ended 31 December 2015.

2014

Scott's Fuel Divisions

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

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

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

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

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

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

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

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

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

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

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 accounted for using the equity method

	% INTEREST	
Name	2015	2014
Investments in associates and joint ventures		
Airport Fuel Services Pty Ltd	**40**	40
Australasian Lubricants Manufacturing Company Pty Ltd [(i)]	**50**	50
Cairns Airport Refuelling Service Pty Ltd	**25**	25
Geraldton Fuel Company Pty Ltd	**50**	50
South Coast Fuels Pty Ltd [(ii)]	**50**	50

(i) Australasian Lubricants Manufacturing Company Pty Ltd ceased joint venture operations on 17 April 2015.
(ii) South Coast Fuels Pty Ltd was voluntarily deregistered on 14 January 2015.

The companies listed in the above table were all incorporated in Australia, have a 31 December balance date and are principally concerned with the sale, marketing and/or distribution of fuel products.

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
2015	**134,716**	**5,104**	**1,781**	**26,296**	**8,340**	**17,956**	**8,642**
2014	140,765	3,762	1,372	25,443	9,797	15,646	7,696

Thousands of dollars	2015	2014
Results of associates		
Share of associates' profit before income tax expense	**2,552**	1,966
Share of associates' income tax expense	**(766)**	(590)
Share of associates' net profit	**1,786**	1,376
Unrealised profit in inventories	**(5)**	(4)
Share of associates' net profit – equity accounted	**1,781**	1,372
Commitments		
Share of associates' operating lease commitments not provided for in the financial report and payable:		
Within one year	**188**	173
Between one and five years	**939**	340
	1,127	513
Share of associates' finance lease commitments not provided for in the financial report and payable:		
Within one year	**955**	788
Between one and five years	**1,037**	1,397
	1,992	2,185
Future finance charges	**(106)**	(165)
	1,886	2,020

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
2015	**325,477**	**6,863**	**3,227**	**3,501**	**1,578**	**1,923**	**770**
2014	495,495	(458)	(455)	382,444	383,251	(807)	16,485

Thousands of dollars	2015	2014
Results of joint ventures		
Share of joint ventures' profit/(loss) before income tax expense	**3,162**	(413)
Share of joint ventures' income tax (expense)/benefit	**(948)**	124
Share of joint ventures' net loss	**2,214**	(289)
Unrealised profit/(loss) in inventories	**1,013**	(166)
Share of joint ventures' net profit/(loss) – equity accounted	**3,227**	(455)
Joint ventures' assets and liabilities		
Current assets	**2,725**	377,601
Non-current assets	**776**	4,843
Total assets	**3,501**	382,444
Current liabilities	**1,578**	369,623
Non-current liabilities	**–**	13,628
Total liabilities	**1,578**	383,251
Commitments		
Share of joint ventures' operating lease commitments not provided for in the financial report and payable:		
Within one year	**1,100**	1,111
Between one and five years	**1,559**	2,659
	2,659	3,770

F3.4 Reconciliation to income statement

Thousands of dollars	2015	2014
Share of net profit of associates accounted for using the equity method	**1,781**	1,372
Share of net loss of joint ventures accounted for using the equity method	**3,227**	(455)
	5,008	917

F3.5 Reconciliation to balance sheet

Thousands of dollars	2015	2014
Investment in associates accounted for using the equity method	**8,642**	7,696
Investment in joint ventures accounted for using the equity method	**770**	16,485
	9,412	24,181

F4 Joint venture operations

Joint venture 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 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% – 50%. The principal activity of the JUHIs is refuelling aircraft at the airports. For the year ended 31 December 2015, the contribution of the JUHIs to the operating profit of the Group was nil (2014: 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	2015	2014
Non-current assets		
Plant and equipment expenditure	**59,318**	56,852
Less: accumulated amortisation	**(34,769)**	(33,282)
Total non-current assets	**24,549**	23,570
Total assets	**24,549**	23,570

F5 Parent entity disclosures

As at, and throughout, the financial year ended 31 December 2015, the parent entity of the Group was Caltex Australia Limited.

Thousands of dollars	2015	2014
Result of the parent entity		
Profit for the period	**234,857**	78,770
Other comprehensive income	**2,437**	6,497
Total comprehensive income for the period	**237,294**	85,267
Financial position of parent entity at year end		
Current assets	**81,394**	61,059
Total assets	**2,009,036**	2,068,326
Current liabilities	**–**	2,808
Total liabilities	**1,491,363**	1,512,017
Total equity of the parent entity comprising:		
Issued capital	**543,415**	543,415
Treasury stock	**5,355**	(607)
Reserves	**(23,822)**	(6,267)
Retained earnings	**(7,275)**	19,768
Total equity	**517,673**	556,309

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.

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

G1.1 Capital expenditure

Thousands of dollars	2015	2014
Capital expenditure contracted but not provided for in the financial report and payable	**25,564**	63,162

G1.2 Leases

Finance leases

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

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

	2015			2014		
Thousands of dollars	Minimum lease payments	Interest	Principal	Minimum lease payments	Interest	Principal
Within one year	**219**	**97**	**122**	219	109	110
Between one and five years	**1,109**	**199**	**910**	1,328	296	1,032
	1,328	**296**	**1,032**	1,547	405	1,142

The Group leases plant and equipment under finance leases expiring from one to four years. No contingent rentals were paid during the year (2014: nil).

Operating leases

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

Thousands of dollars	2015	2014
Non-cancellable operating leases – Group as lessee		
Future minimum rentals payable:		
Within one year	**130,117**	142,133
Between one and five years	**412,000**	429,856
After five years	**350,560**	337,572
	892,677	909,561

The Group holds operating leases expiring from one to 36 years. Leases generally provide the Group with a right of renewal at which time all terms are renegotiated. Lease payments comprise mainly a base amount; however, in a few cases, they include a base amount and incremental contingent rental. Contingent rentals are based on operating performance criteria. Contingent rentals of $466,497 were paid during the year (2014: $383,476).

The expense recognised in the income statement during the year in respect of operating leases is $161,583,000 (2014: $160,549,000).

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

G1 Commitments continued

G1.2 Leases continued

Thousands of dollars	2015	2014
Non-cancellable operating leases – Group as lessor		
Future minimum rentals receivable:		
Within one year	**68,870**	70,580
Between one and five years	**128,296**	150,124
After five years	**39,052**	21,845
	236,218	242,549

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

Note B1 shows the rental income recognised in the income statement in respect of operating leases.

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 granted indemnities to banks to cover bank guarantees given on behalf of controlled entities to a maximum exposure of $4,671,000 (2014: $2,628,000).

Deed of Cross Guarantee and class order relief

Various companies in the Caltex Group are party to a Deed of Cross Guarantee dated 22 December 1992 with Caltex Australia Limited and each other pursuant to ASIC Class Order CO 98/1418 (“Deed”) (see note F1).

Under the Deed, each participating company agrees to guarantee in full all of the debts of all of the companies that are party to the Deed subject to, and in accordance with, the terms set out in the Deed.

G3 Related party disclosures

Until 30 March 2015, Chevron Global Energy Inc. held a 50% interest in Caltex. Transactions with the Chevron Group up until that point are summarised below.

The Caltex Group paid $1,019,000 (2014: $7,070,000) to the Chevron Group for technical service fees. The Group received $1,250,000 (2014: $5,244,000) for technical service fees from the Chevron Group. These fees are in the ordinary course of business and on normal commercial terms and conditions.

The Caltex Group paid $282,000 (2014: $1,146,000) to the Chevron Group, including Iron Horse Insurance Company for insurance coverage. Dealings with Iron Horse Insurance Company are in the ordinary course of business and on normal commercial terms and conditions.

The Caltex Group purchased crude, other refinery feedstocks and petroleum products from the Chevron Group of $913,068,000 (2014: $4,355,821,000). The Caltex Group sold crude, other refinery feedstocks and petroleum products to the Chevron Group of $73,791,000 (2014: $393,366,000). These purchases and sales are in the ordinary course of business and on normal commercial terms and conditions.

The Chevron Group seconded one employee (2014: three employees) primarily to provide specialist expertise at Lytton refinery. The total cost borne by Caltex in respect of this secondee was $90,000 (2014: $1,790,000 for three secondees). This cost includes salary and bonuses, allowances including relocation, and indirect payroll related expenses.

Caltex seconded three employees to various roles within the Chevron Group during 2015 (2014: six employees). The Chevron Group paid the salary and bonuses, allowances including relocation, and indirect payroll related expenses of these Caltex employees.

Associates

The Group sold petroleum products to associates totalling $106,498,000 (2014: $123,073,000). The Group received income from associates for rental income of $155,000 (2014: $149,000).

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 $800,000 (2014: $600,000).

Caltex has interests in associates primarily for the marketing, sale and distribution of fuel products. Details of Caltex's interests are set out in note F3.

Joint ventures

Caltex has interests in joint ventures primarily for the marketing, sale and distribution of fuel products. There were no related party transactions with Caltex's joint venture entities during 2015 (2014: nil). Details of Caltex's interests are set out in notes F3 and F4.

G4 Key management personnel

The key management personnel of the Caltex Group during 2015 and 2014 were:

Current directors

- Greig Gailey, Chairman and Independent, Non-executive Director
- Julian Segal, Managing Director & CEO
- Trevor Bourne, Independent, Non-executive Director
- Steven Gregg, Independent, Non-executive Director (from 9 October 2015)
- Bruce Morgan, Independent, Non-executive Director
- Barbara Ward, Independent, Non-executive Director (from 1 April 2015)
- Penny Winn, Independent, Non-executive Director (from 1 November 2015)

Former directors

- Elizabeth Bryan, Chairman and Independent, Non-executive Director (to 9 December 2015)
- Richard Brown, Non-executive Director (to 2 April 2015)
- Barbara Burger, Non-executive Director (to 2 April 2015)
- Ryan Krogmeier, Non-executive Director (to 2 April 2015)

Senior executives

- Julian Segal, Managing Director & CEO
- Andrew Brewer, Executive General Manager, Supply Chain Operations
- Simon Hepworth, Chief Financial Officer
- Peter Lim, Executive General Manager, Legal & Corporate Affairs
- Adam Ritchie, Executive General Manager, Supply (from 1 April 2015)
- Bruce Rosengarten, Executive General Manager, Commercial
- Simon Willshire, Executive General Manager, Human Resources

Key management personnel compensation

Dollars	2015	2014
Short term benefits	**12,807,344**	10,511,019
Other long term benefits	**239,775**	218,675
Post-employment benefits	**383,215**	294,518
Share based payments	**5,099,486**	4,900,945
	18,529,820	15,925,157

Information regarding directors' and executives' compensation and some equity instruments disclosures is provided in the Remuneration Report section of the Directors' Report on pages 21 to 45.

G4 Key management personnel continued

Executive share plan

From 1 January 2010 to 31 December 2014, a mandatory deferral of short term incentives (STI) applied to Senior Executives. Under the deferral policy, one third of their STI, as long as the incentive was greater than $105,000, was to be delivered in Caltex shares, which have a six month service related forfeiture risk and are restricted from sale for two years.

The directors approved the 2014 STI in February 2015 which included a deferred value of $1,140,865. Shares to a value of $1,140,776 were purchased on market during April 2015 (equating to 33,284 shares at a grant date fair value of $34.27 per share). The service related forfeiture condition was met in October 2015 and the shares will be held under restriction until April 2017 (unless the Senior Executive ceases employment prior to this date).

No shares are to be purchased in April 2016 in respect of the 2015 STI, as this mandatory STI deferral no longer applies. However, from April 2016 new share retention requirements apply to long term incentives (LTI), which involve a four year sales restriction on 25% of Senior Executives' vested LTI shares.

Performance rights

Since 1 January 2007, Senior Executives may receive performance rights under Caltex's Equity Incentive Plan, based on the achievement of specific targets related to the performance of the Group. The measure of performance is Total Shareholder Returns (TSR) over a three year period relative to two comparator groups.

OPENING BALANCE	GRANTED			VESTED DURING THE YEAR			LAPSED DURING THE YEAR			CLOSING BALANCE	
Number of performance rights	Start date	Number of performance rights	Fair value of performance rights ($)	Distribution date	Number of performance rights	Weighted average fair value per share ($)	Lapsed date	Number of performance rights	Weighted average fair value per share ($)	Number of performance rights	Fair value aggregate ($)
2015											
1,340,033	8 Apr 15	326,229	15.69	9 Jan 15	(16,859)	35.35	Q1 2015	(24,350)	–	951,454	12,420,390
215,272	8 Apr 15	108,743	31.76	1 Apr 15	(746,052)	35.13	Q2 2015	(116,239)	–	426,798	8,660,332
462,806							Q3 2015	(45,909)	–	103,749	3,295,068
							Q4 2015	(21,673)	–		
2,018,111		434,972			(762,911)			(208,171)		1,482,001	24,375,790
2014											
1,561,834	7 Apr 14	405,972	12.57	28 Feb 14	(17,200)	20.98	Q1 2014	(40,904)	–	1,340,033	13,155,109
611,151	7 Apr 14	135,324	22.18	1 Apr 14	(245,667)	21.59	Q2 2014	(491,356)	–	215,272	1,618,845
264,662	7 Apr 14	135,324	20.16	9 May 14	(18,617)	22.47	Q3 2014	(165,697)	–	462,806	9,402,724
				4 July 14	(33,403)	22.25	Q4 2014	(30,273)			
				30 Sep 14	(29,828)	27.99			–		
				31 Dec 14	(23,211)	34.21			–		
2,437,647		676,620			(367,926)			(728,230)		2,018,111	24,176,678

For information regarding the inputs used in the measurement of the fair values at each grant date, please refer to table 8 of the Remuneration Report on page 40 of the Directors' Report.

G5 Notes to the cash flow statement

G5.1 Reconciliation of cash and cash equivalents

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

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

Thousands of dollars	2015	2014
Cash at bank	**263,764**	53,122
Total cash and cash equivalents	**263,764**	53,122

G5.2 Reconciliation of net profit to net operating cash flows

Thousands of dollars	2015	2014
Net profit	**522,621**	22,670
Adjustments for:		
Net gain on sale of property, plant and equipment	**(23,641)**	(726)
Interest paid capitalised	**(3,702)**	(14,693)
Amortisation of finance costs	**3,191**	(9,721)
Depreciation/amortisation of property, plant and equipment	**178,366**	185,119
Amortisation and impairment of intangibles	**26,183**	17,866
Treasury stock movements net of expense	**(14,029)**	(1,921)
Share of associates' and joint ventures' net (loss)/profit	**(1,994)**	(317)
Movements in assets and liabilities:		
Decrease in receivables	**117,281**	150,663
Decrease/(increase) in inventories	**151,053**	921,025
Decrease in other assets	**(6,328)**	3,130
(Decrease)/increase in payables	**(144,655)**	(535,150)
(Decrease)/increase in current tax balances	**36,015**	(112,065)
Increase in deferred tax assets	**143,339**	25,774
Increase/(decrease) in provisions	**(99,034)**	9,915
Net operating cash inflows	**884,666**	661,569

G6 Auditor remuneration

Dollars	2015	2014
Audit services – KPMG Australia	**1,000,500**	995,900
Non-audit services – KPMG Australia:		
Other assurance services	**103,400**	34,800
Taxation services	**195,600**	43,700
	299,000	78,500

G7 Net tangible assets per share

Dollars	2015	2014
Net tangible assets per share	**9.60**	8.64

Net tangible assets are net assets attributable to members of Caltex less intangible assets. The weighted average number of ordinary shares used in the calculation of net tangible assets per share was 270 million (2014: 270 million).

G8 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group, except for:

- AASB 9 *Financial Instruments*, which becomes mandatory for the Group's 2018 consolidated financial statements and could change the classification and measurement of financial assets and liabilities. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.
- AASB 15 *Revenue from Contracts with Customers*, which becomes mandatory for the Group's 2018 consolidated financial statements and could change the basis for the recognition of revenue. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.
- IFRS 16 *Leases*, which becomes mandatory for the Group's 2019 consolidated financial statements and could require that operating leases be recognised on the balance sheet. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

G9 Events subsequent to the end of the year

Joanne Taylor was appointed Executive General Manager, Human Resources effective 5 February 2016.

Mr Willshire will retire from the company effective 30 April 2016.

On 23 February 2016, the Group announced its intention to conduct a $270 million off-market share buy-back, which is expected to be completed during the second quarter of 2016.

There were no other items, transactions or events of a material or unusual nature, that, in the opinion of the Board, are likely to significantly affect the operations of Caltex, the results of those operations or the state of affairs of the Group subsequent to 31 December 2015.

COMPARATIVE FINANCIAL INFORMATION

The additional information on pages 95 to 96 is provided for the information of shareholders. The information is based on, but does not form part of, the 2015 Financial Report.

Caltex Australia Limited Consolidated Results	2015	2014	2013	2012	2011
Profit and loss ($ million)					
Historical cost operating profit before significant items, interest and income tax expense	783	279	798	624	640
Interest income	5	8	9	2	1
Borrowing costs	(82)	(99)	(98)	(99)	(69)
Historical cost income tax expense before significant items	(214)	(56)	(205)	(161)	(170)
Historical cost operating profit after tax and before significant items	493	132	504	366	402
Significant items (net of tax)	29 (i)	(112) (ii)	26 (iii)	(309) (iv)	(1,116)
Historical cost operating profit/(loss) after income tax	522	20	530	57	(714)
Dividends					
Amount paid and payable ($/share)	1.17	0.70	0.34	0.40	0.45
Times covered (excl. significant items)	1.56	0.70	5.49	3.39	3.31
Dividend payout ratio – replacement cost of sales operating basis (iii) (excl. significant items)	50%	38%	28%	24%	46%
Dividend franking percentage	100%	100%	100%	100%	100%
Other data					
Total revenue ($m)	20,027	24,231	24,676	23,542	22,400
Earnings per share – historical cost (cents per share)	193	7	196	21	(264)
Earnings per share – replacement cost of sales operating basis (cents per share) (excl. significant items)	233	183	123	170	98
Earnings before interest and tax – historical cost basis ($m) (excl. significant items)	783	279	798	624	640
Earnings before interest and tax – replacement cost of sales operating basis ($m) (excl. significant items)	977	795	551	756	442
Operating cash flow per share ($/share)	3.3	2.5	2.3	1.5	1.7
Interest cover – historical cost basis	10.6	1.3	9.3	1.9	(14.0)
Interest cover – replacement cost basis (excl. significant items)	12.7	8.8	6.2	7.8	6.5
Return on capital employed – historical cost basis (%) (vi)	16.2	0.7	15.8	2.0	(25.2)
Return on capital employed – replacement cost of sales operating basis (excl. significant items) (%) (vi)	19.5	15.5	9.9	15.8	9.3
Equity attributable to members of the company ($m)	2,776	2,521	2,588	2,148	2,206
Total equity ($m)	2,788	2,533	2,597	2,160	2,218
Total assets ($m)	5,105	5,129	6,021	5,386	4,861
Net tangible asset backing ($/share)	9.60	8.64	9.05	7.55	7.82
Debt ($m)	695	692	942	950	619
Net debt ($m)	432	639	742	740	617
Net debt to net debt plus equity (%)	13	20	22	26	22

(i) 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.

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

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

(iv) Includes significant items relating to employment benefit and remediation provisions ($430,000,000) arising from the announcement on 26 July 2012 of the planned 2014 closure of the Kurnell refinery in New South Wales, Australia and its proposed conversion to an import terminal. The remaining expenses of $11,355,000 relate to cancelled capital projects associated with the Kurnell refinery.

(v) Dividend payout ratio – replacement cost of sales operating profit basis calculated as follows:
Dividends paid and payable in respect of financial year
Replacement cost of sales operating profit after income tax (excl. significant items)

(vi) Return on capital employed is calculated as follows:
Net Profit After Tax
Net Debt + Equity

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 $628 million, compared to a profit of $493 million in 2014.
- 2015 net profit before interest, income tax and significant items on a replacement cost of sales operating profit basis was $977 million, an increase of $182 million over 2014.

$ Million	Five years*	2015	2014	2013	2012	2011
Historical cost net profit before interest, income tax and significant items	3,124	783	279	798	624	640
Add/(deduct) inventory losses/(gains)[ii]	399	193	516	(246)	132	(197)
Replacement cost net profit before interest, income tax and significant items	3,521	977	795	551	756	442
Net borrowing costs	(422)	(77)	(91)	(89)	(97)	(68)
Historical cost income tax expense before significant items	(805)	(214)	(56)	(205)	(161)	(170)
(Deduct)/add tax effect of inventory (losses)/gains	(120)	(58)	(155)	74	(40)	59
Replacement cost of sales operating profit after income tax[iii]	2,175	628	493	332	458	264

* Note: Totals may not sum due to rounding.

i. The replacement cost of sales operating profit basis (RCOP) removes the impact of inventory gains and losses, giving a truer reflection of underlying financial performance. Gains and losses in the value of inventory due to fluctuations in the 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 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.

ii. Historical cost results include gross inventory gains or losses from the movement in crude oil prices. In 2015, the historical cost result includes $193 million inventory loss (2014: $516 million inventory loss). Net inventory loss is adjusted to reflect impact of revenue lags.

iii. 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: 2011: $1,594 million expenses before tax ($1,116 million after tax); 2012: $441 million expenses before tax ($309 million after tax); 2013: $28 million gain before tax ($26 million after tax); 2014: $160 million expenses before tax ($112 million after tax); and 2015: $32 million gain before tax ($29 million after tax).

SHAREHOLDER INFORMATION

Share capital

The information contained on pages 97 to 98 of this Annual Report is current as at 23 February 2016.

Substantial shareholders

The following shareholders are substantial shareholders of Caltex Australia Limited on 23 February 2016.

Substantial shareholders	Number of shares held	% of Issued shares
BlackRock Group	19,548,062	7.24
Lazard Asset Management Pacific Co	16,341,534	6.05
Perpetual Limited	13,762,320	5.1

Distribution of shareholdings

Caltex Australia Limited has one class of equity securities (ordinary shares) and the number of holders of those securities is 22,465.

The shareholdings in Caltex Australia Limited shares are distributed as set out in the table below.

Number of shares	Number of shareholders	Number of shares held	% of issued shares
1 – 1,000	16,733	7,072,569	2.62
1,001 – 5,000	4,948	10,986,633	4.07
5,001 – 10,000	490	3,580,708	1.33
10,001 – 100,000	248	5,844,051	2.16
100,001 and over	46	242,516,039	89.82
Total	**22,465**	**270,000,000**	**100**

As at 23 February 2016, 293 shareholders hold less than a marketable parcel of Caltex Australia Limited shares.

Details of the 20 largest shareholders of Caltex Australia Limited shares are listed in the table below.

	Shareholder	Number of shares held	% of issued shares
1.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	83,862,714	31.06
2.	J P MORGAN NOMINEES AUSTRALIA LIMITED	53,598,001	19.85
3.	NATIONAL NOMINEES LIMITED	39,317,617	14.56
4.	CITICORP NOMINEES PTY LIMITED	19,956,475	7.39
5.	BNP PARIBAS NOMS PTY LTD <DRP>	10,967,296	4.06
6.	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <PI POOLED A/C>	6,162,649	2.28
7.	CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	4,980,987	1.84
8.	AMP LIFE LIMITED	3,351,469	1.24
9.	BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	3,247,340	1.20
10.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	3,074,622	1.14
11.	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <BKCUST A/C>	2,707,069	1.00
12.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED – A/C 2	1,113,688	0.41
13.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	1,097,580	0.41
14.	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <PIIC A/C>	979,359	0.36
15.	NATIONAL NOMINEES LIMITED <N A/C>	779,786	0.29
16.	SBN NOMINEES PTY LIMITED <10004 ACCOUNT>	765,000	0.28
17.	SHARE DIRECT NOMINEES PTY LTD <10026 A/C>	702,363	0.26
18.	UBS NOMINEES PTY LTD	494,000	0.18
19.	AUSTRALIAN FOUNDATION INVESTMENT COMPANY LIMITED	490,000	0.18
20.	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <PISELECT>	462,401	0.17
	Total	**238,110,416**	**88.19**

Shares purchased on-market

During the reporting period, 809,001 shares were purchased on-market at an average cost of $37.05 per share for the purposes of an employee equity incentive plan.

Share buy-back

On 23 February 2016, Caltex Australia Limited announced a $270 million off-market share buy-back, which is expected to be completed during the second quarter of 2016.

Shareholder enquiries

Shareholders with queries about their shares or dividend payments should contact Caltex's share registry, Computershare, on phone 1300 850 505 or fax 03 9473 2500, or through its website (www.computershare.com.au) using their holder identification number (HIN) or shareholder reference number (SRN) to access their shareholder specific information, or write to:

Computershare Investor Services
Pty Limited
GPO Box 2975
Melbourne VIC 3001
Australia

All enquiries should include a SRN or HIN, which is recorded on the shareholder's holding statement.

Change of address

Shareholders on the issuer sponsored sub-register who have changed their address should notify the share registry in writing. CHESS holders should notify their controlling sponsor.

Caltex Australia publications

Caltex's annual report published in March each year is the main source of information for shareholders. Shareholders who wish to receive a hard copy of the annual report or half year report should notify the share registry in writing.

Corporate Governance Statement

A copy of the Corporate Governance Statement can be found on our website (www.caltex.com.au).

Voting rights

The share capital of Caltex Australia Limited comprises 270 million fully paid ordinary shares. 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* and the ASX Listing Rules.

At a general meeting, individual shareholders may vote their shares in person or by proxy. A corporate shareholder may vote by proxy or through an individual who has been appointed as the company's body corporate representative. Shareholders with at least two shares may appoint up to two proxies to attend and vote at a general meeting.

If shares are held jointly and two or more of the joint shareholders wish to vote, the vote of the shareholder named first in the register will be counted, to the exclusion of the other joint shareholder or shareholders.

Shareholders who are entitled to vote at the meeting should note that:

- on a poll, each shareholder has one vote for each share they hold, and
- on a show of hands, each shareholder has one vote.

If the shareholder has appointed a proxy, the proxy may vote but, if two proxies are appointed, neither proxy may vote on a show of hands.

For a complete analysis of shareholders' voting rights, it is recommended that shareholders seek independent legal advice.

Securities exchange listing

The company's shares and Caltex Subordinated Notes are listed on the Australian Securities Exchange (ticker: CTX and CTXHA).

General enquiries

Investor Relations

Rohan Gallagher +61 2 9250 5247

Company Secretary

Peter Lim

The address and telephone of the registered office is:
Level 24
2 Market Street
Sydney NSW 2000
T: +61 2 9250 5000
F: +61 2 9250 5742

The postal address is:
GPO Box 3916
Sydney NSW 2001

Website:
www.caltex.com.au

The address at which the register of shares is kept is:
Computershare Investor Services
Pty Limited
Level 4, 60 Carrington Street
Sydney NSW 2000
Australia
Tollfree: 1300 850 505
(enquiries within Australia)
T: +61 3 9415 4000
(enquiries outside Australia)
F: +61 3 9473 2500

Website:
www.computershare.com.au

The postal address is:
GPO Box 2975
Melbourne VIC 3001
Australia

STATISTICAL INFORMATION

Year ended 31 December	2015	2014	2013	2012	2011
People					
Employees[(i)]	3,078	3,067	3,638	3,610	3,550
Assets					
Fuel refineries	1	1	2	2	2
Road tankers[(iii)]	199	252	216	168	168
Rail cars (operational)	36	42	66	66	66
Storage terminals operated by Caltex[(iv)]	13	13	12	12	13
Star convenience stores (Star Mart, Star Supermarket and Star Shop)	514	496	491	480	476
Service stations (owned or leased)	797	795	765	738	746
Depots	76	81	76	76	79
Operations					
Nameplate refining capacity (barrels per day)					
– Caltex Refineries (NSW) Pty Ltd[(v)]	–	–	135,000	135,000	135,000
– Caltex Refineries (Qld) Pty Ltd	112,000	109,000	109,000	109,000	109,000
Fuel production (ML)	5,597[(ii)]	10,245	11,398	11,648	10,686
Total sales volume (ML)	16,109	16,991	16,957	16,628	16,619
Lost time injury frequency rate (LTIFR)[(vi)]	0.62	0.77	0.63	0.59	0.99

(i) Includes employees of Calstores Pty Ltd and Caltex 100% owned resellers.
(ii) 2015 reflects fuel production from the Lytton refinery only, following the conversion of the Kurnell refinery.
(iii) Road tanker numbers include Caltex 100% owned reseller fleet.
(iv) Caltex has equity in an additional three terminals, along with product supply agreements at a number of other terminals across Australia.
(v) Caltex Refineries (NSW) Pty Ltd (Kurnell refinery) ceased production in October 2014.
(vi) Employee and contractor lost time injury frequency rate per million work hours.

Corporate offices

Caltex Australia Limited

ACN 004 201 307

Caltex Australia Petroleum Pty Ltd
ACN 000 032 128
Level 24
2 Market Street
Sydney NSW 2000
Australia

Mail: GPO Box 3916
Sydney NSW 2001 Australia

T: +61 2 9250 5000
F: +61 2 9250 5742

www.caltex.com.au

Share registry

Computershare Investor Services Pty Limited

GPO Box 2975
Melbourne VIC 3001
Australia

Tollfree: 1300 850 505
(enquiries within Australia)

T: +61 3 9415 4000
(enquiries outside Australia)

F: +61 3 9473 2500
www.computershare.com.au

Refinery

Caltex Refineries (Qld) Pty Ltd

ACN 008 425 581
South Street
Lytton QLD 4178

T: +61 7 3362 7555
F: +61 7 3362 7111

Environmental hotline:
1800 675 487

Marketing offices

New South Wales

Caltex Banksmeadow terminal
Penhryn Road
Banksmeadow NSW 2019
T: +61 2 9695 3600
F: +61 2 9666 5737

Queensland/Northern Territory

Caltex Lytton terminal
Tanker Street, off Port Drive
Lytton QLD 4178
T: +61 7 3877 7333
F: +61 7 3877 7464

Victoria/Tasmania

Caltex Newport terminal
411 Douglas Parade
Newport VIC 3015
T: +61 3 9287 9555
F: +61 3 9287 9572

Western Australia

Level 2
2 Sabre Crescent
Jandakot WA 6164
T: +61 8 9430 2888
F: +61 8 9335 3062

Customer support feedback line

Complaints, compliments and suggestions

Mon–Fri 8.30am to 5.00pm (EST)

T: 1800 240 398

Card Support Centre

Card enquiries
24 hours/seven days

T: 1300 365 096

Lubelink

Mon–Thurs 8.00am to 6.00pm (EST)
Fri 8.00am to 5.00pm (EST)

T: 1300 364 169

www.caltex.com.au

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Caltex Australia

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