



**CALTEX**  
Caltex Australia

2018 Annual Report

# Capability + Scale



**FUELS & INFRASTRUCTURE**  
International sourcing and supply

0700 HRS Kurnell Fuel Import Terminal

# Caltex Australia Limited 2018 Annual Report

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## On the Cover

Ampol is Caltex's international trading and shipping team based in Singapore. It sources petroleum products from global markets and connects their supply chains with our market leading infrastructure positions, such as our import terminal in Kurnell, New South Wales (pictured).

This international supply capability underpins Caltex's reputation for reliable supply to wholesale customers, while ensuring the competitiveness of our refining and retail operations. Ampol also manages supply to our first international acquisition, Gull New Zealand, our partner Seaoil in the Philippines, in which Caltex holds a 20% equity interest, and our other international wholesale customers.

## About this Report

This 2018 Annual Report for Caltex Australia Limited (ACN 004 201 307) has been prepared as at 26 February 2019. Please note that terms such as Caltex and Caltex Australia have the same meaning as Caltex Group, unless the context requires otherwise. An interactive version of the Annual Report is available on our website. Visit [www.caltex.com.au](http://www.caltex.com.au) to download or view a copy.

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

Lani Rauschenbach, CSA,  
The Foodary, Narangba.



# Capability + Scale

No other organisation in Australia has the capability and scale of Caltex in the transport fuels and convenience retail industries.

Our 6,629 employees, peerless infrastructure and network assets, industry knowledge and customer relationships allow us to safely and reliably deliver the fuels that keep Australia's economy moving and the everyday retail products that make life easier.

Caltex has a proud and long history in Australia and over the last five years has transformed to focus on our two connected businesses – Fuels & Infrastructure and Convenience Retail.

The capability and scale of both businesses underpin our performance and provide the building blocks for our future. The ongoing international expansion of Fuels & Infrastructure and development of our Convenience Retail offer are central to our growth strategy.

OUR CORE BUSINESSES



FUELS & INFRASTRUCTURE



CONVENIENCE RETAIL

**Our Fuels & Infrastructure division sources, imports, refines and distributes the fuels and lubricants that meet one-third of Australia's transport needs.**





FUELS &amp; INFRASTRUCTURE

## Refining

1830 HRS | Lytton Refinery

Caltex's Lytton refinery is one of the most efficient small refineries in Asia, representing a major centre of technical capability, delivering core earnings and supporting our broader value chain.

Processing crude and feedstocks sourced and shipped by Ampol, the refinery produces over 6 billion litres of product each year used by our customers or sold to wholesalers in the Queensland market.

# 6.2<sup>BL</sup>

of total production in 2018

# 99%+


of inputs converted  
to high value products





**Caltex has a proud and long history in Australia and continues to succeed in an increasingly competitive market.**

FUELS &amp; INFRASTRUCTURE



## Integrated Australian fuel supply chain

**1330 HRS | Brisbane Airport**

Caltex owns the largest finished product import terminals in both Australia and New Zealand and a broad network of assets that allow us to safely and reliably store and distribute high quality petrol, jet fuel, diesel and lubricants sold in our retail business and used by business and commercial customers.

With our broad network and our capable team, we are proud to supply our customers anywhere they need our products and services across Australia. The scale of our wholesale demand base in Australia sustains Ampol's competitive advantages and supports Lytton production.



**~80,000**

total B2B customers

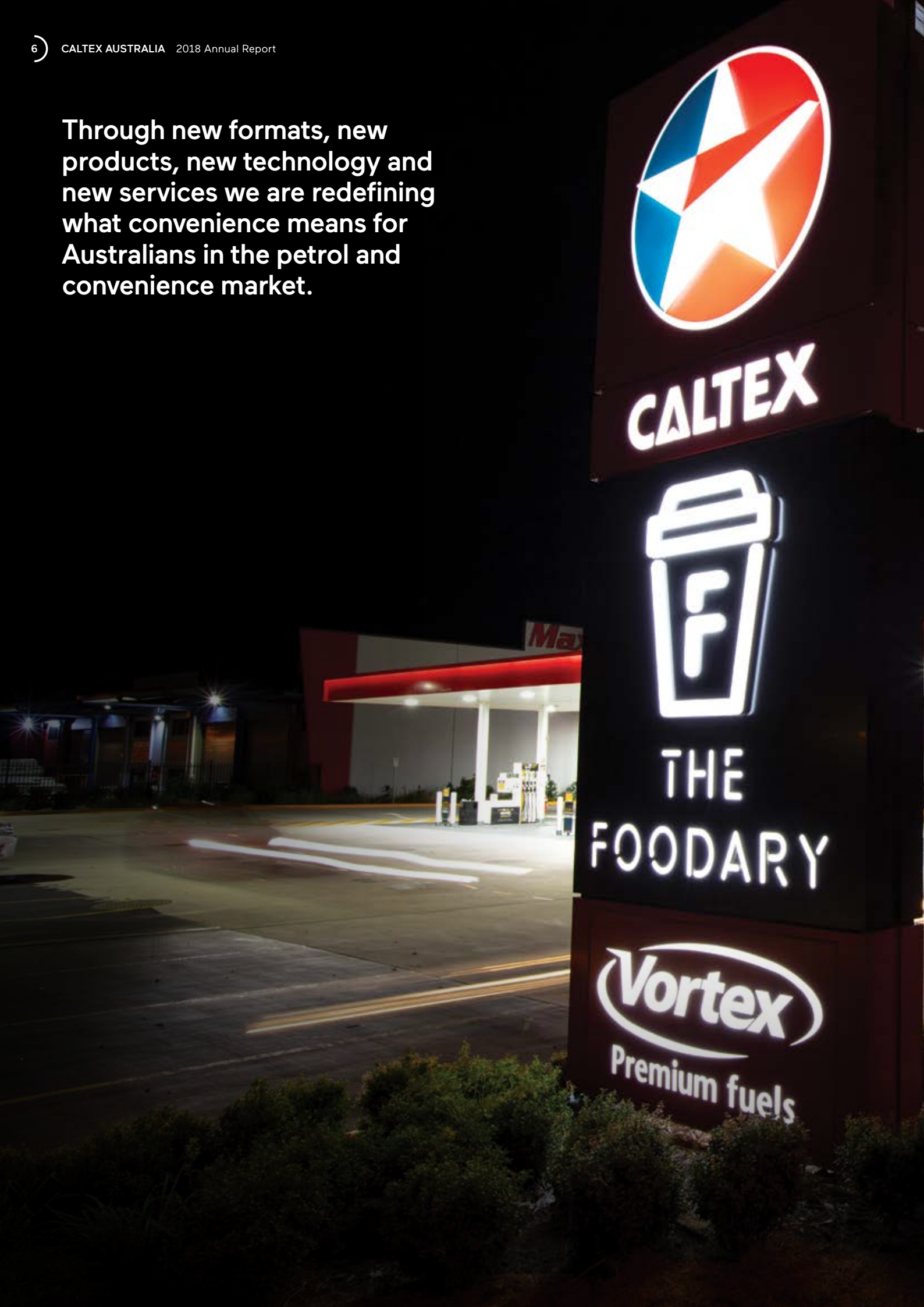
**94**

bulk fuel storage and  
distribution hubs

**300KM+**

of fuel pipelines

Through new formats, new products, new technology and new services we are redefining what convenience means for Australians in the petrol and convenience market.







CONVENIENCE RETAIL

# Retail fuel and convenience

2130 HRS | The Foodary, Narangba

Our network of ~800 Caltex-controlled sites deliver fuel, lubricants and a range of convenience products and services to more than three million Australian consumers and our 70,000 business customers each week.

Our stable and profitable fuels business and network of strategically located sites underpin a strong and evolving retail offer. Through new formats, new products, new technology and new services we are redefining what convenience means for Australians in the petrol and convenience market.

# 5,000

Convenience Retail employees



# 3.0M

Australian customers each week

# ~800

Caltex-controlled sites

# 55

The Foodary sites across Australia

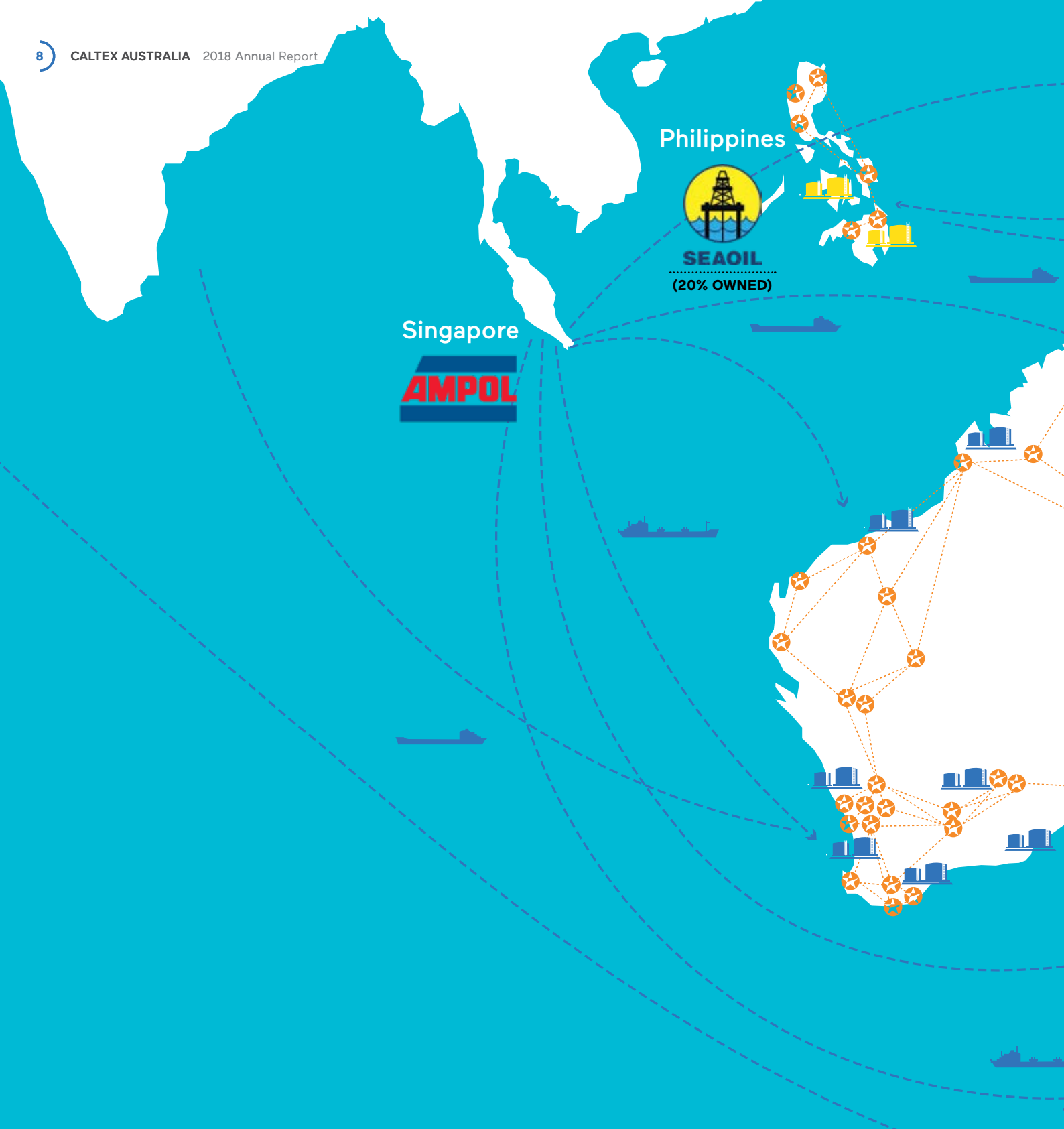
# 36M+

StarCard transactions

Approximately

# 70,000

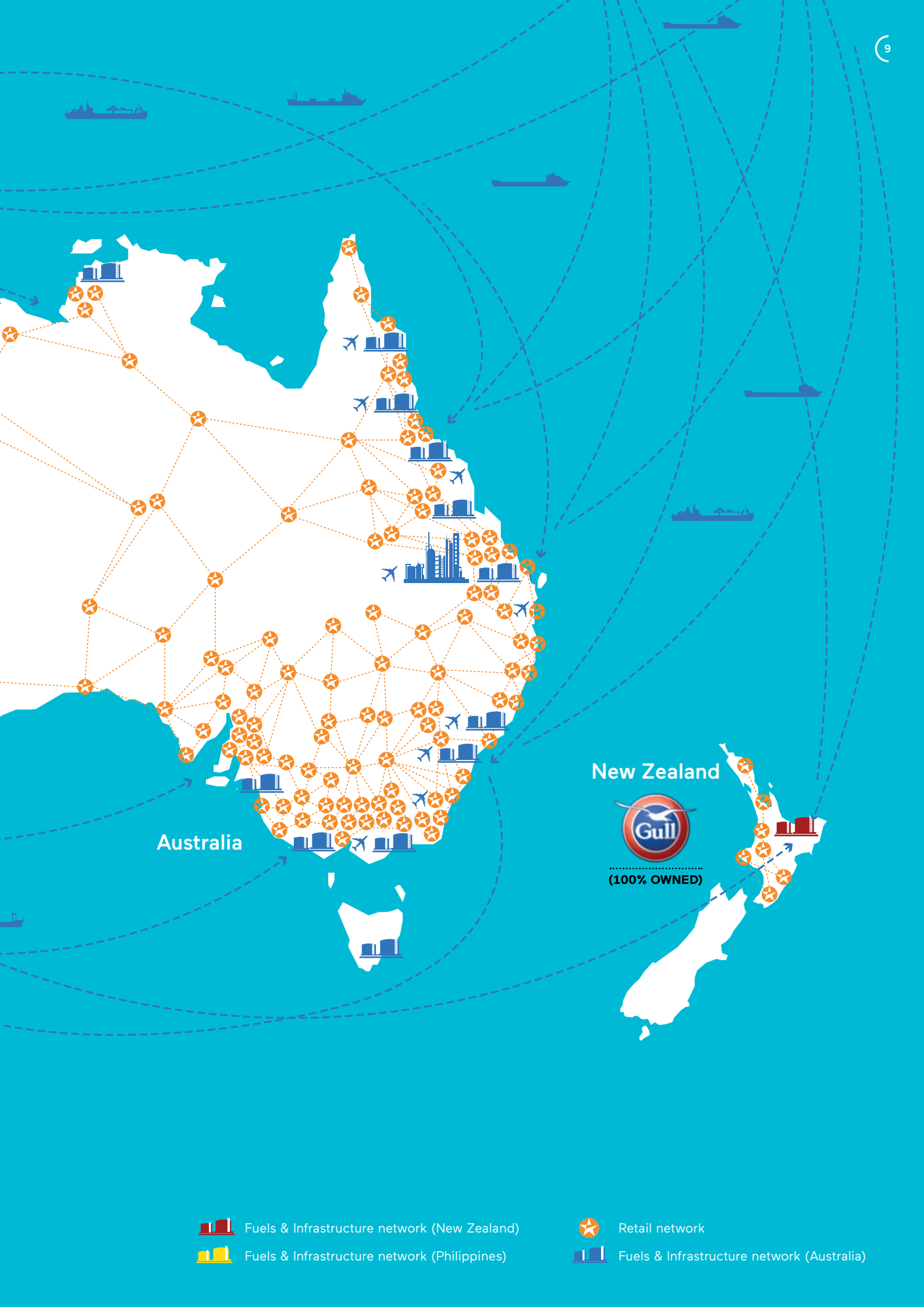
B2B customers using StarCard at ~2000 branded and unbranded sites



## Network of Assets

.....

We control a hard to replicate, privileged network of retail and distribution assets. Our strong network of assets provides a platform for growth.



Australia

New Zealand



(100% OWNED)

 Fuels & Infrastructure network (New Zealand)

 Fuels & Infrastructure network (Philippines)

 Retail network

 Fuels & Infrastructure network (Australia)

# 2018 Highlights

Caltex made significant progress executing the Fuels & Infrastructure and Convenience Retail strategies, setting the company up for sustainable growth.

**\$558M**

RCOP NPAT

Approximately  
**\$260M**

Off-market Buy-back

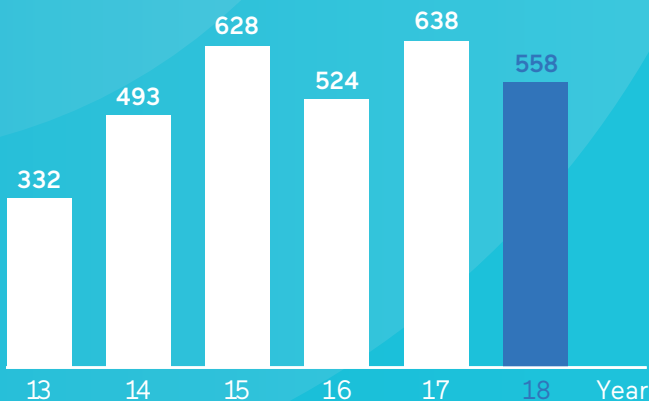
**6.2<sup>BL</sup>**

produced at Lytton refinery

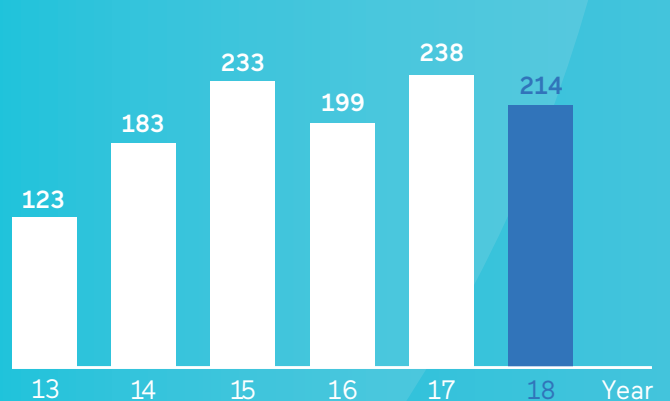
**182**

franchise sites transitioned to company ownership

Replacement cost of sales operating profit (RCOP) (\$ million)



Earnings per share – RCOP (cents per share) (excl. significant items)



NPAT of \$558 million on a replacement cost of sales operating profit (RCOP) basis, down 12% on 2017.

Over the last five years we have nearly doubled EPS, maintained our position as the market leader in Australian transport fuels, progressed our retail strategy and established our international footprint.



**20.4<sup>BL</sup>**

of transport fuels sold



**7%**

on 2017



**55**

THE FOODARY

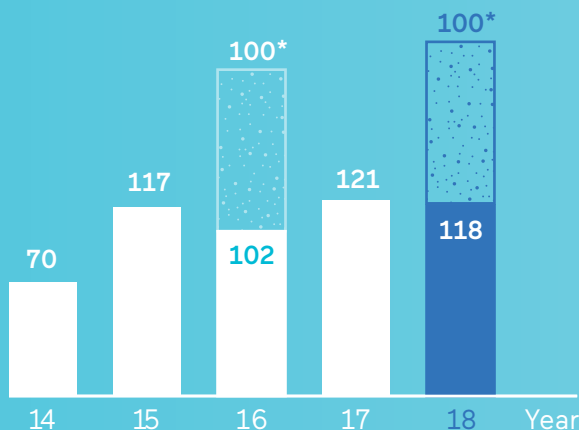
The Foodary retail stores across Australia (end 2018)



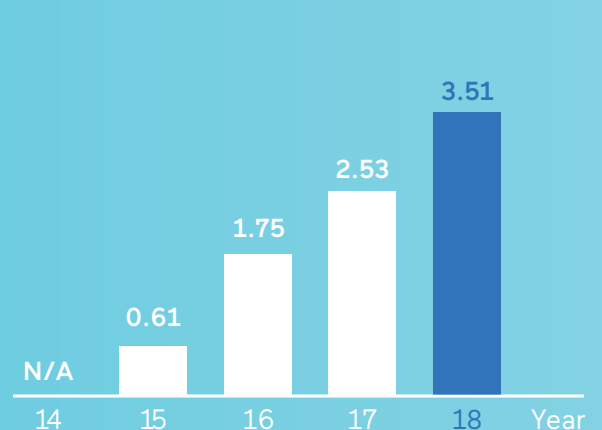
**32**

opened in 2018

Shareholder returns (cents per share)



International volumes (billion litres)



\* Off-market Buy-back

# Message from the Chairman and the Managing Director & CEO

## Dear shareholders,

In 2018, Caltex made significant progress executing the Fuels & Infrastructure and Convenience Retail strategies, setting the company up for sustainable growth over 2019–2024, and for long-term success. It was a year of ongoing transformation and RCOP NPAT was down slightly on 2017.

There were many highlights from the last 12 months, including the ongoing expansion of our international business, solid growth in Australian wholesale sales volumes, the retention of our fuel supply contract with Woolworths, the implementation of the loyalty and rewards aspects of our broader Woolworths partnership and the continued roll-out of our The Foodary retail format, which stood at 55 stores by the end of 2018.

We also announced an Off-market Buy-back of approximately \$260 million which we believe will benefit all shareholders.

## The foundations for long-term success

On 1 January 2018 we commenced the reporting of our earnings under two core businesses – Fuels & Infrastructure and Convenience Retail.

For shareholders, this separation allows more transparency of the value and opportunities that exist in both businesses. From a management and governance perspective, it will ensure our operations are run optimally with clear accountabilities and key performance indicators appropriate to grow each business.

## Safety performance

Safety is of paramount importance to the Board, executive and all who work at Caltex. Our safety performance underpins the engagement and productivity of our workforce and our commitment to our customers.

In Fuels & Infrastructure, the business which manages our most hazardous operations, the measures for Total Recordable Injury Frequency Rate (TRIFR) and Days Away From Work Injury Frequency Rate (DAFWIFR) improved this year; and our measure for contractor days away from work was the best result we've had in our history.

In Convenience Retail, outcomes for TRIFR and DAFWIFR increased slightly as we began to embed Caltex's high standards for injury reporting and proactive care to transitioned franchise sites.

In 2019, we will aim to improve Convenience Retail safety performance by implementing programs that reinforce safe work practices and embed the right safety behaviours. This includes the introduction of safe work practice reviews and observations, leadership programs focussed on cultural and behavioural change and the implementation of audits to all transition stores to ensure all of Caltex's stores have the appropriate safety resources and standards in place.

## Strong financial and operational performance

On a historic cost profit basis, Caltex's after-tax profit was \$560 million in 2018. This result was down approximately 9% on our 2017 result of \$619 million after tax. Under our preferred method of reporting, replacement cost of sales operating profit (RCOP), we achieved a NPAT of \$558 million, which is above our 2018 profit guidance and down 12% on our result in 2017.

Fuels & Infrastructure again performed strongly. Despite the impact of lower regional refining margins and an unplanned outage at our Lytton refinery, the business achieved an EBIT outcome in line with guidance of \$570 million. Highlights included strong growth in our international business and the ongoing extraction of additional value from our integrated supply chain.

Excluding Lytton refinery earnings, Fuels & Infrastructure's EBIT increased by 21% on 2017. Total Australian fuels sales volumes were 16.9 billion litres, which is 2% higher than the 16.6 billion litres of sales achieved in 2017. Wholesale fuel volumes in Australia, excluding Woolworths, were up 10%; an exceptional result.

Replacement cost of sales  
operating profit (RCOP) of

**\$558M**

down 12% on our result in 2017

## The Foodary, Narangba

Small image: Managing Director & CEO Julian Segal (on the left) and Chairman Steven Gregg.



Fuels & Infrastructure continues to leverage its integrated supply chain to protect and grow its wholesale fuel volumes and earnings.

Our Convenience Retail business delivered an EBIT result of \$307 million, which is above the top end of guidance, although approximately 8% lower than the equivalent result in 2017. The overall result was impacted by rising crude and product prices through most of 2018, which impacted both volumes and margin, as well as by the impact of ongoing site transition from franchise operations. Total Convenience Retail fuels sales volumes were 4.9 billion litres, which is 4% less than the 5.1 billion litres of fuels sales in 2017 and in line with change in the total market.

Our Convenience Retail team has made great progress in 2018, finishing the year with positive momentum ready for 2019 – a year of execution.

### Developing our growth opportunities

In 2018 we progressed the growth opportunities in international fuel sourcing and supply and in Australian convenience retail.

Our position as the leading transport fuels company in Australia allowed us to develop and expand Ampol as our international sourcing and supply organisation, based in Singapore. Having established this position, we are now leveraging the capability we have across Fuels & Infrastructure as a platform for growth.

2018 was the first full year of operations for our first international investment – Gull New Zealand – and we finalised the acquisition of a 20% equity interest in leading independent fuel operator, Seoil in the Philippines.

We are already delivering benefits from this growth strategy. International supply volumes in 2018 were 3.5 billion litres, an increase of 39% on 2017 through supply to Gull, Seoil and other international customers. Each of these businesses represent an attractive growth platform in their respective markets which we will support to realise the full value of these investments in the years ahead.

In Convenience Retail, we have continued to develop our operations to take advantage of the clear growth available in this market.

In February we announced the decision to transition the remaining franchisee retail sites to company operations by the end of 2020, and by the end of 2018 we have transitioned almost 200 stores. This was an important strategic decision which will accelerate change in our retail offer and which underpins our plans to deliver an earnings uplift in this business.

We also further developed our convenience retail offer. From concept to the first store in 2017, we were pleased with the milestone of our 50th The Foodary this year. We also built-out exciting new formats with quick service restaurant partners such as Boost Juice and Guzman y Gomez.



# 182

retail sites transitioned  
to company ownership  
in 2018

## Message from the Chairman and the Managing Director & CEO

CONTINUED

The most significant step in our retail strategy so far – the strategic partnership with Woolworths – also began this year. The September launch of loyalty and rewards, which extends fuel discounts and allows customers to earn and ultimately redeem Woolworths Rewards points at our stores, will provide customers with more reasons to choose Caltex. The team has also made significant progress on the new co-branded convenience retail offering using the Caltex fuel brand and the Woolworths Metro retail brand, which will be rolled out in 2019.

### Our people strategy continues to deliver

Successful and transformative change can only be achieved with a workforce of diverse and highly-capable employees. In 2018, we made further good progress with our people strategy, launching our new employment value proposition and advancing our diversity and inclusion goals.

CEO Julian Segal became a Pay Equity Ambassador for the Workplace Gender Equality Agency (WGEA), promoting our commitment to an inclusive workplace through equal access to career opportunities, development and pay equity.

A detailed gender pay audit was also conducted to identify any gender bias in our salary and short-term incentive reviews. The audit found no gender bias in salary reviews and incentive payments; and a pay difference of just 1% in favour of males in like-for-like roles, which we still aim to improve.

In October we announced the retirement of Simon Hepworth as Chief Financial Officer (CFO). Simon commenced his career with Caltex in 1996 and has undertaken the role of CFO since 2001. The Board thanks Simon for his long service, his unwavering focus on delivering shareholder value and his outstanding contribution to the transformation of Caltex.



### Sustainability reporting

As a Board we recognise that environmental, social and governance (ESG) issues are significant to our investors and other stakeholders. For this reason, we will soon launch our inaugural Sustainability Report, capturing our performance on our key sustainability issues in 2018.

Many of these ESG issues have previously been addressed through our OHS & Environmental Risk Committee and through targeted management, but our Sustainability Report and broader program will provide greater transparency about our efforts to address these issues. It will also provide benchmarking against best practice, identifying gaps in our performance and our targets for the future.

A summary of our 2018 Sustainability Report is provided on pages 28–31 of this Annual Report and the full report will be made available on our website in March 2019.

### Positioned to create more value for shareholders

Over the last five years we have nearly doubled EPS, maintained our position as the market leader in Australian transport fuels and established our international footprint to become an emerging participant outside Australia. The Board and management team believe that the transformation of Caltex will create more value for shareholders over the coming years.

In Fuels & Infrastructure, we have a business that has been at the heart of our transformation and offers steady earnings, strong cash flows and growth internationally. In Convenience Retail, we have a business which is primed for growth. It enjoys a stable earnings base from its core fuels offer and, with the expansion of capability in the retail shop operations, it will provide sales and margin uplift over time.

We have several specific priorities that we will deliver for shareholders in 2019. Fuels & Infrastructure will continue to grow its earnings through its international business; we will continue to run Australia's largest transport fuel network safely and reliably; and we will look to improve margin throughout the supply chain.

Convenience Retail is focused on growing stable profits in a more competitive fuels market, while further developing the capabilities and formats required to capture the significant opportunity we have. The petrol and convenience sector is currently valued at over \$8 billion in Australia but represents only a small subset of the broader convenience market.

In 2019, a key part of this is leveraging the emerging opportunities of the Woolworths partnership, including piloting our first Caltex Woolworths Metro store.

At a corporate level, we made the decision to increase our dividend payout to between 50% and 70% and remain committed to conducting our operations with capital discipline, so that we can support the highest possible returns to our shareholders and meet our TSR objectives.

We also announced an Off-market Buy-back of approximately \$260 million, which is consistent with our previously articulated capital allocation framework. We believe this Buy-back will benefit all shareholders and it demonstrates our progress in transitioning the business to one that generates more reliable cash flows. Including this Buy-back, Caltex has returned over \$1.6 billion in capital to shareholders since 2016, while maintaining a return on capital employed of around 20%.

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

We look forward to updating you in 2019.



**Steven Gregg**  
Chairman



**Julian Segal**  
Managing Director & CEO



**20.4<sup>BL</sup>**

Total fuel sales



**LARGEST**

Australian fuel importer



**20**

Sourced from 20 countries



**13**

Supplied and sold volume to Caltex and customer operations in 13 countries



**~80,000**

total B2B customers, including ~1,500 large commercial/ industrial customers

**Lytton Refinery.**

Small image: Kay Tumataroa, Operator, Lubricants, Lytton Refinery.

# Fuels & Infrastructure



**With capability and scale across the transport fuels supply chain, we have secured our position as the market leader in Australia and become an emerging player in the Asian region.**

For more than 118 years we have safely and reliably supplied high quality fuels and lubricants to our diverse customer base. Our capability in product sourcing, our peerless infrastructure and our network assets, coupled with our strong customer relationships, allow us to run an integrated business and drive value from international sourcing through to the wholesale supply of fuels and lubricants.

In a changing and ever-competitive market, Fuels & Infrastructure has transitioned successfully over the last five years from a refiner to create a strong platform for both domestic and international growth. In 2018 we continued to strengthen these foundations, including key achievements such as the retention of our longstanding Woolworths wholesale fuel supply agreement for another 15 years, the execution of our partnership with Seoil in the Philippines and the continued growth of volumes sourced and supplied by our Ampol team. We also continued to leverage our industry knowledge and strong relationships to continue to build our wholesale fuel supply volumes.

### **Strong safety performance**

Our long history of strong safety performance underpins our commitment to customers and employees. In 2018, Fuels & Infrastructure's safety performance improved on last year, reflecting our commitment to safe and reliable operations. Our high standards for our safety management systems are brought to life by our leadership team and safety resources located across our business, who work day-to-day with our operational teams and customers to help them stay safe. Our focus on leadership in the field this year translated into fewer recordable injuries and days away from work for our employees and a reduction in spills.

### **Strong growth in international sourcing and supply operations**

Over the last five years we have focused on growing our international fuel sourcing and supply capabilities through our Ampol business in Singapore. Ampol was established in 2013 to source crude and finished products to meet Caltex requirements, leveraging our leading infrastructure positions, such as the Kurnell fuel import terminal in New South Wales, and optimising our supply chain around our refinery in Lytton, Queensland.



## Case Study

# Our heritage of capability

**The iconic Golden Fleece company was born from a Melbourne shipping and import/export business established in 1895 by Harold Crofton Sleigh.**

When Sleigh imported Californian 'motor spirit' to Australia in 1913, he marketed it as Golden Fleece and continued to do so until 1981 when the brand was acquired by Caltex.

Golden Fleece went on to become a household name in Australia and a brand that evokes fond memories for many Australians today. The company's presence was evident across most aspects of the developing Australian lifestyle and economy – agriculture, defence, shipping, petrol – and had a major presence at national and local events.

The proud Australian company undertook complex marketing and promotional activities and was at the forefront of the developing local petroleum industry, including as a pioneer of single branded service stations. From the first tanker owned by an Australian petroleum company, to the largest restaurant chain in the country at its height, Golden Fleece was ahead of its time and the Merino ram became a comforting symbol on the road for the everyday motorist.

In September 2018, Caltex acquired a 468-piece collection of Golden Fleece memorabilia from Paul Lukes and Clare Gordon, avid Golden Fleece collectors in Sydney. The collection includes a 1948 Fargo truck which delivered petrol in New South Wales until the 1960s.

The collection is a tribute to a significant part of Caltex's history and the history of the petroleum industry in Australia.



Image: 1948 Golden Fleece Fargo truck which delivered petrol in New South Wales until the 1960s.

Throughout this time, Ampol has grown significantly and now handles over 3 billion litres of international volumes each year. Our scale in key Asian markets allows Ampol to capture value by sourcing product directly, and as the largest importer into Australia, with growing supply volumes to other markets around the world, Ampol is a strategic customer for virtually every export-focused refiner in Asia and globally.

This trading and shipping expertise has been built from scratch using the broad base of industry knowledge in Singapore and across Caltex. This homegrown capability is evidence of the transition strategy that has been successfully executed since the closure of the Kurnell refinery in 2014 and of Caltex's ability to transform to deliver growth. Caltex is now the largest importer of fuel products into Australia and the capabilities of Ampol and from across Fuels & Infrastructure provide a platform for international growth. Our investments in Gull New Zealand and in Seoail in the Philippines, which have both performed strongly in 2018, are the first examples of this strategy.

### **Lytton refinery continues to perform well**

Our Lytton team continues to produce around 35% of the fuel sold by Caltex and represents a major centre of technical expertise critical to deliver core earnings.

While earnings and volumes through Lytton were down in 2018, impacted by a lower Caltex Refiner Margin and an unplanned outage in October, Lytton's operating performance continues to be strong. Our focus on reliable and efficient operations and high value products, plus optimisation across our Fuels & Infrastructure business, has allowed us to continue to produce at record levels over recent years and with reduced earnings volatility. This has helped transform Lytton into a solid driver of earnings and an important part of our value chain.

In 2018 we commenced execution of our renewed Lytton turnaround and inspection (T&I) strategy replacing large, site-wide, multi-year events with annual events of reduced scale. This approach will smooth cash flow impacts and reduce safety, execution and margin risks. The

activity in 2018 delivered successful outcomes across all key metrics, including on safety, quality, schedule compliance and cost.

We are committed to continuous improvement in the operation of Lytton and have also made modest investments, such as modifications to crude unit pre-heat and distillation capacity, to improve plant utilisation, throughput and margin capture.

### **Leveraging our advantaged infrastructure and improving wholesale customer volumes and relationships**

The heart of our business is the scale enabled through our strong demand base in Australia. The Australian economy is, and will remain, heavily dependent on transport fuels for mining, shipping, transport, agriculture and industrial purposes.

In 2018 we continued to leverage the strength and scale of our integrated network to drive earnings value growth through the safe and reliable supply of fuel to Caltex-owned retail sites and our B2B customers.

Our strategic focus remains on maximising the value from our infrastructure position, and our Kurnell terminal – the largest product import terminal in Australia – is just one of our advantaged distribution assets in New South Wales, which is Australia's largest state for fuel imports.

In 2018 we successfully defended and grew domestic business and commercial volumes by steadfastly defending our market position through the strength of our assets and through our industry knowledge and relationships. Overall, wholesale fuel volumes increased by approximately 4% to 12.1 billion litres. Excluding supply to Woolworths, our wholesale fuel volumes increased by 10%, which is above market growth and was achieved through strong performance in diesel and jet fuel.

The key highlight was the retention of the Woolworths fuel supply contract which was renewed for a further 15 years. Securing this fuel volume will allow us to make the right long-term decisions to further optimise our domestic supply chain.

By combining our supply chain capability in Fuels & Infrastructure with our strong Convenience Retail network, we achieve scale, volumes and brand credibility; which underpins our leading fuel card offer, StarCard. We have longstanding and trusted relationships with our broad base of end customers across major Australian industries and we're known for our track record of supplying high quality fuel safely and reliably combined with local support.

Longer term the Australian business and commercial customer markets are less prone to disruption from emerging alternate transport solutions given the dominance of heavy vehicles in key sectors. We will continue to grow our sales volumes, and we believe that commercial diesel and aviation markets are both expected to see growth over the medium term.

### **International expansion is enabling growth**

In 2018 we focused on expanding our network and supply chain internationally to enable future growth, leveraging our scale and capability foundation.

We are delighted with the performance of our acquisition of Gull, a challenger brand in the North Island of New Zealand. In 2018, Gull has grown earnings and fuel volumes, continuing to grow its network and customer base.

Our strategic partnership with Seoil, an independent fuel company in the Philippines, also commenced in 2018, with Ampol now supplying wholesale fuel to Seoil operations and Caltex holding a 20% equity interest in the business. Our investment in Seoil has performed strongly in 2018. The Philippines is a fast growing, deregulated and short market and the partnership provides an opportunity to transfer capability from Caltex's existing strengths in managing complex supply chains.

These investments provide a platform for growth, giving us access to fast growing assets and allowing us to capitalise on synergies from supply chain integration and to further capture value through growth in fuel supply volumes.

### **Focused on execution in 2019**

Fuels & Infrastructure is a strong and efficient business that continues to deliver strong cash flow and earnings for Caltex. In 2019 we will continue to run our business safely, reliably and competitively to deliver continued earnings growth.

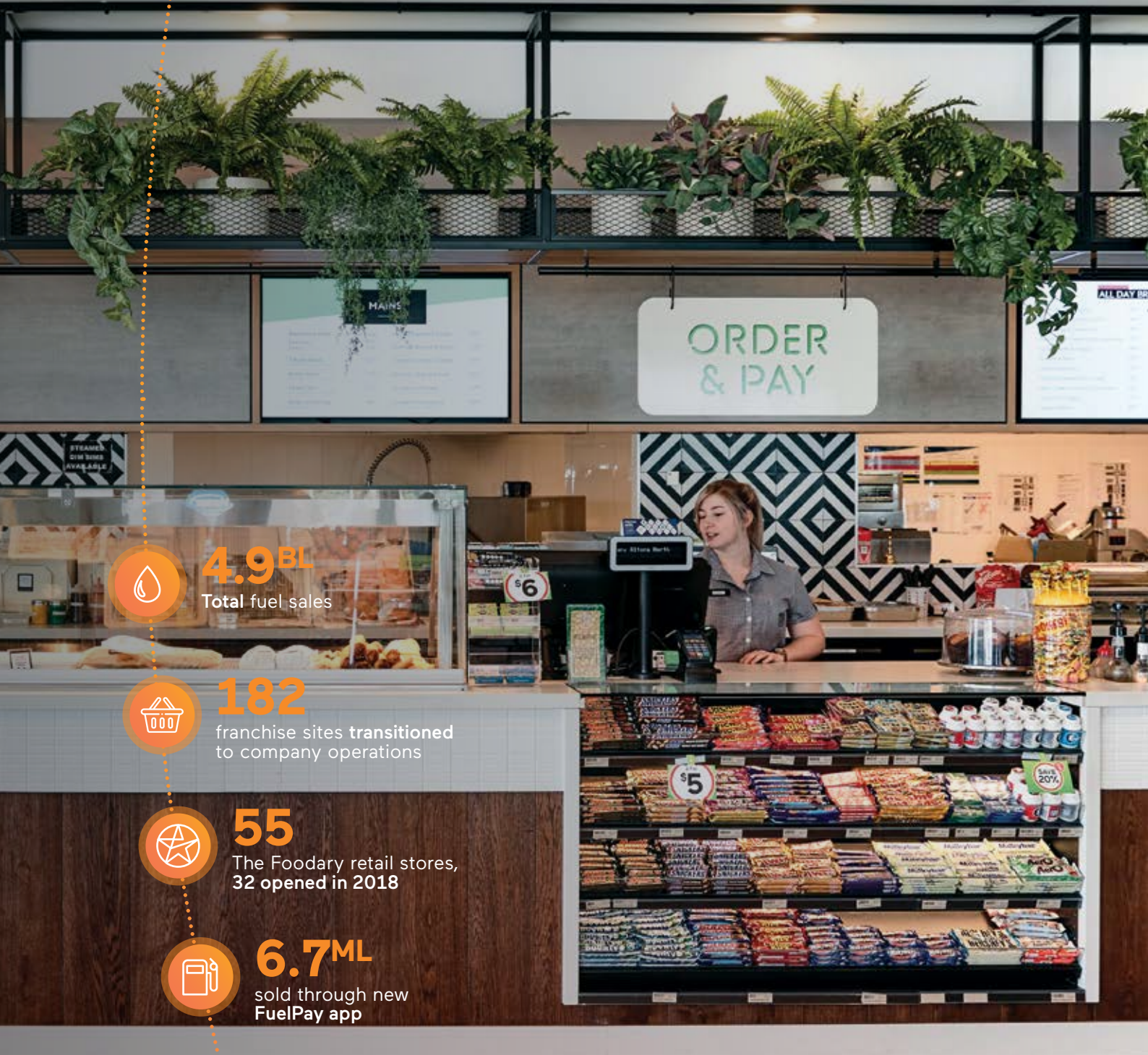
The focus for Fuels & Infrastructure will be on further optimising the performance of Lytton, growing Australian wholesale fuel volumes above market growth rates, extracting further benefits from our international investments and increasing international supply volumes.



Stuart Wharton,  
Head Operator, Lytton Refinery.



Michael Mason, Driver, Larissa Cortez Bran, Terminal Manager  
and Rob McIlwain, Driver; Lytton Terminal.



**4.9BL**  
Total fuel sales



**182**  
franchise sites transitioned  
to company operations



**55**  
The Foodary retail stores,  
32 opened in 2018



**6.7ML**  
sold through new  
FuelPay app

The Foodary, Altona North.

Small image: Hazma Butt,  
CSA, Alexandria store.

# Convenience Retail

2018 was a landmark year for the Convenience Retail business as we established the strategic foundations that provide a strong base for future growth. Supported by a stable and profitable fuels business, each pillar of our transformation is based around making life easier for our customers and team members – this is what the essence of convenience means to us.

The petrol and convenience markets are highly competitive and growing. Operating in a relatively underdeveloped market in Australia, coupled with changing customer expectations and an ever-increasing digitally-enabled world, the opportunity for the Convenience Retail business to grow is significant. The petrol and convenience sector is currently valued at over \$8 billion in Australia but represents only a small subset of the broader convenience market.

Moreover, we have put the foundations in place that will drive our future success – in 2018 we have defined our core retail formats, invested in IT to deliver unrivalled customer service, taken steps to deliver consistent experiences across our network with the transition from franchise to company-owned sites and progressed our strategic partnership with Woolworths, which will be an important part of our future. We head into 2019 with momentum and are focused on executing our growth strategy.

## Building a safe and customer-focused retail culture

In 2018, Convenience Retail saw an increase in reported safety incidents as the business transformation led to greater focus on the operations of our new company operated stores. Our commitment is to continue to focus on transition processes and targeted training programs to improve this result and the safety of our almost 5,000 Convenience Retail employees.

## Leading the fuel market

Fluctuating crude oil prices continued to challenge the retail fuel market in 2018. High board prices hit and this had an impact on demand across the market. Total Convenience Retail fuels sales volumes were 4.9BL in 2018, 4% lower than the 5.1BL of fuels sales in 2017 – reflecting total market volume weakness.





## Case Study

# Making safety personal

At the beginning of 2018, our Health, Safety and Wellbeing Team researched different mechanisms to ensure our team members are always thinking and acting safely. This led to the design and roll-out of our 'Why I Stay Safe' initiative. The initiative sees every Caltex team member wearing their own safety vest which has a clear photo pocket for team members to add a photo of their personal reason for staying safe.

**Pictured is Shane Werner, our Store Manager at The Foodary in Kippa-Ring, Queensland. In his vest, he has a picture of his 14-year-old daughter, Mia, and his 11-year-old son, Noah, at their local beach on Bribie Island.**

"The safety vest is a great way of making safety personal and reminding us each and every day why we need to think and work safely so we can get home to our families," said Shane. "When I put the vest on and see Mia and Noah, it's a nice reminder of why I love going home every day."

In 2019, we'll be running promotional 'Why I Stay Safe' campaigns, to reward our team members for keeping safety top of mind at all times.

Image: Shane Werner, Store Manager, The Foodary, Kippa Ring, Queensland. In his 'Why I Stay Safe' vest is a picture of his 14-year-old daughter, Mia, and his 11-year-old son, Noah, at their local beach on Bribie Island.

Caltex has unique levers in place to maintain a market leading position in retail fuel. This includes our StarCard business solution, our partnership with Woolworths which drives customer value and loyalty through Woolworths Rewards, the ongoing integration of technology to improve the customer experience and our new retail formats. On top of this, the integration with our Fuels & Infrastructure business, the largest importer of fuel in Australia, is critical; with the scale of these wholesale operations a competitive advantage. While the outlook for volume in 2019 is flat, we are confident we will benefit from our unique strengths and network.

### **Our network strength is our advantage**

Our large, well-located retail real estate network gives us a significant advantage. The Convenience Retail network includes ~800 Caltex-controlled sites, more than 70,000 StarCard customers and 3 million transactions each week. With large scale comes the need for a unified approach and capability.

The decision to transition to a company operated network will enable us to simplify our operations, provide customers with more consistent experiences and accelerate change in our convenience retail offer. In 2018, we successfully transitioned 182 stores from franchise to company operation. We now have agreed transition plans with all but a few franchisees and are on track to operate our network by 2020.

In addition to this transition to drive greater consistency, we are evolving to reshape and unlock the value of our network by redefining our offer with clear points of difference along with building a customer-centric team culture.

### **Developing market leading Convenience Retail formats**

The opportunity to make life easier for our customers through our formats fuels our passion to execute with excellence. Our format strategy, which includes The Foodary, StarMart and Caltex Woolworths Metro (launching in 2019), was further developed in 2018 and is now well defined and understood. These formats meet the diverse needs of our customers.



In 2018, we opened a further 32 The Foodary stores, including our 50th store in Manly, Sydney. This breakthrough format is fast becoming famous for its barista-made coffee, food for now and our quick service restaurant (QSR) partners. Popular QSR restaurants such as Boost Juice and Guzman y Gomez are tapping into a new demographic previously not captured and drive further traffic and incremental sales at our stores. The Foodary format is also outperforming on fuel and we're seeing strong shop gross margins, with return on investment significantly improving over time.

Ensuring The Foodary is right at each site is critical and over the last 12 months we have invested time in better understanding the drivers for success. With a reinvigorated focus on ensuring we have the right format, product mix, services and marketing, we will ensure this offer continues to grow.

StarMart continues to be a key driver for us and in 2018, we focused on getting the basics right with refreshed self-serve coffee and delivering value to customers through key promotions, such as our Meal Deal offer. Meal Deals save customers up to 30% on meals throughout the day and differentiate us from our competitors. We know our customers are enjoying this – we more than doubled our Meal Deal sales year-on-year.

Driving customer advocacy and satisfaction is also a key priority, and our newly launched Voice of the Customer program allows us to hear directly from customers. Since our national launch in April, we have received close to 210,000 surveys and over 68,000 customer 'high fives' calling out great customer service. Since launch, our overall Net Promoter Score has grown from 63 to a high of 74 in December, averaging 68 since launch.

### Partnerships are key to our success

Our expanded and extended partnership with Woolworths will accelerate capability and de-risk execution of our transformation. Two key elements of this agreement were executed in November 2018 with the expansion of the 11 million-member strong Woolworths Rewards loyalty program to Caltex stores. In less than two months, we distributed over 140 million points to over 1.3 million customers who scanned their Woolworths Rewards cards at our stores. We also expanded and doubled our network which offers the four cents off per litre, taking this value-driven offer to more than 220 stores. These initiatives continue to improve both the fuel and shop offer for our customers.

In 2019, we'll unlock the value of the Caltex Woolworths Metro format and continue our work with Woolworths on wholesale grocery supply. Executing these parts of our agreement will be a key priority.

Strategic partnerships with NRMA, Hyundai and Toyota also launched in 2018. These offer their customers exclusive fuel discounts allowing us to recruit new customers.

Our sponsorship assets continued to build awareness of our brand with partners in the Caltex Socceros and Supercars. Caltex ambassador, Autobarn

Lowndes Racing driver and Supercars legend, Craig Lowndes, conquered Mount Panorama to win his seventh Bathurst 1000. We also partnered with Australia's greatest footballer, Tim Cahill, to celebrate our national football team performing at the FIFA World Cup. Transforming five StarMart stores into 'CAHILLTEX' engaged customers and built further brand awareness, while paying homage to a retiring great of Australian football.

### Finding new ways to make a difference in a digital future

Expectations from our customers are higher than ever and our new FuelPay app delivers a faster way to pay for fuel. Available at over 600 stores, FuelPay allows our customers to fill up, skip the queue and pay with three quick taps on their mobile device. The launch was backed with a national marketing campaign across radio, television, social media and digital advertising. FuelPay has been downloaded more than 150,000 times, selling 6.7 million litres through the app.

Innovation is critical to our success and launching our inaugural innovation program, Caltex Spark, allowed us to work closely with start-up and scale-up businesses to look at potential new opportunities. The 12-week program led to a partnership with Halo, an on-demand mobile fuel service allowing customers to schedule a fuel delivery straight to their car using an app which is launching in 2019. Trials with car selling service CarBar and sustainable packaging company Pak360 are also ongoing.

### Focused on executing in 2019

We're energised by the progress we've seen in 2018, and the opportunities that 2019 brings. As we strive to deliver a market-leading convenience retail offer that makes a difference for our customers, we'll continue to adapt and evolve in the changing marketplace and in this highly competitive landscape.

Our key priorities for 2019 are simple – we will focus on executing the building blocks set up in 2018. This includes building on our established formats, launching our new Metro format, improving wholesale supply of products to stores with our partner Woolworths, further leveraging our new partnerships, delivering sustainable fuel profits and creating an environment our team members enjoy working in every day.



Lisa McCallum, Assistant Marketing Manager, Loyalty; Mark Stemp, Head of Loyalty; and Tamara Duschl, Chief Customer Officer, join Woolworths staff at the official launch of Woolworths Rewards at our Neutral Bay store.

“The capability of our people and our culture are key drivers of our success. This is why we focus on implementing people programs that attract and retain the best talent and make Caltex a great place to work.”

Joanne Taylor, EGM, Human Resources



**6,629**

Employees working across nine employment entities located in Australia, New Zealand and Singapore



**83%**

Employee engagement score



**67%**

Working in flexible working arrangements

Mick Donnelly, Shift Manager,  
Lytton Refinery  
Wade Clucas, Area Operator,  
Lytton Refinery.

Small image: Judy Yoo, Retail  
Training Coordinator.



# Our people taking us further



**In 2018 Caltex launched a new employment value proposition (EVP), rolled out programs to build a fair and flexible workplace and reaffirmed its commitment to gender equity, Indigenous employment and inclusiveness.**

These programs have extended the cultural transformation that commenced in 2017 with the launch of a newly defined purpose and refreshed organisational values.

## **Employment value proposition and employee engagement**

Building upon the insights from the Culture Survey conducted in 2017, we undertook comprehensive research in 2018 to uncover the core strengths and unique elements of our employment proposition. Caltex's heritage and longevity of success, the calibre and expertise of our people, flexible workplace culture, and opportunities for career growth presented by the scale of our network, were universally attractive to our employees. A desire from employees to play a role in our community programs was also identified and this will be accelerated through the Caltex Foundation in 2019.

The resulting value proposition, 'You Take Us Further', was developed to bring these strengths to life and builds on our purpose and corporate values which were relaunched in 2017. The new proposition differentiates Caltex from its competitors across key employee segments and was launched externally in November 2018 through our digital employment presence. Refreshed candidate communications strategies and collateral support our talent acquisition efforts, telling the story of how our people drive our success and, reciprocally, how Caltex invests to ensure the professional growth of our people. Our employment brand identity is being implemented through multiple touchpoints, bringing to life the experience of working with Caltex; an ASX-listed business that is transforming itself.

In 2018 we also conducted our bi-annual Employee Engagement Survey to get feedback from our employees on working at Caltex. The survey reinforced that values-led leadership and flexibility are strengths that make Caltex a great place to work. Our overall engagement score of 83% was significantly above the Australian corporate average and on par with the oil and gas and retail industry averages.





## Case Study

# CareerSeekers a boost for inclusiveness at Caltex

Inclusiveness is important to ensure Caltex builds a high-performing workforce that respects and encourages diverse views and perspectives. In 2018 Caltex was proud to be one of CareerSeekers' newest employment partners when we hosted our first refugee intern, Zaynab El Emary.

The CareerSeekers model bridges the gap between new Australians and employers seeking to create a more diverse workforce. CareerSeekers is the sister program to the CareerTrackers Indigenous program, which Caltex has partnered with since 2013.

Always on the lookout for new and diverse engineering talent to bring into the business, we were excited to have Zaynab on board. Zaynab lives in Melbourne and is studying Engineering at Monash University. Over her university winter break she worked at our Newport Terminal in Engineering Services.

Michael Linehan, Regional Projects Manager at Newport and one of Zaynab's managers, said that Zaynab was a great addition to the team.

"It has been refreshing to have someone on site who has just started their studies and is learning about our business from scratch. In the short time she has been with us, I have seen her confidence grow – she is a talented engineer," he said.



Our new employment value proposition and implementation of engagement programs have supported our efforts to build a workforce of diverse and highly capable people required to support our two core businesses to deliver the Caltex strategy.

## A fair and flexible workplace

In 2018, Managing Director & CEO Julian Segal became a Pay Equity Ambassador for the Workplace Gender Equality Agency (WGEA), promoting our commitment to an inclusive workplace through equal access to career opportunities, development and pay equity. Mr Segal has personally championed having a diverse Caltex executive team, with three out of seven (42%) of his direct reports being female.

A detailed gender pay audit was conducted in 2018 to identify any gender bias during the salary and short-term incentive review. The audit found no gender bias during the salary review, with females receiving an average increase of 1.7% compared to the male average of 1.6%. Similarly, there was no gender bias found in incentive payments with the average payment score for females of 129.9% and males of 129.5%. The review identified that Caltex has a pay difference of 1% in favour of males in like-for-like roles, which we still aim to improve.

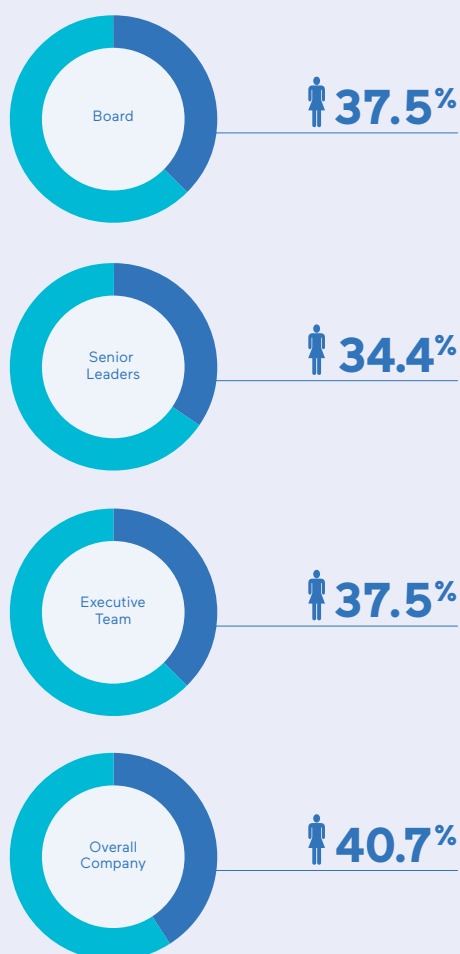
Continued focus on developing women in their careers will be crucial to achieving our gender equity objectives. Caltex acknowledges that sustainability is reliant on a pipeline of future female leaders, built up from earlier career stages. For this reason, we have invested in talent, development and early career programs to build our pipeline.

In 2018 Caltex established its first Women in Engineering Scholarship through UNSW. This Scholarship aims to encourage and assist a female student to achieve a bachelor's degree in engineering over a four-year period. Towards our goal of early career talent pooling, we have increased Caltex's profile with the university through the scholarship promotion and involvement of Caltex leaders in associated events; developing industry case studies to present at the university, and hosting networking events on behalf of the UNSW Women in Engineering Society – all providing greater access to a pool of potential future candidates.

The Caltex Graduate Program plays a key role in sourcing diverse talent for the future, with over 60% (10 out of 15) female graduates hired in 2018 for the 2019 intake. By business area, female graduates make up four out of six positions in Fuels & Infrastructure, three out of five positions in Convenience Retail, and three out of four positions across Group functions.

Our talent development programs will continue to identify and develop employees exhibiting potential for promotion. Of the 2018 talent pool identified through our succession planning processes, 45% are women; which is 8% higher than at the same time in 2017 and 10% higher than female representation among the eligible group.

## Female representation at Caltex



The rate of female promotions into the Senior Leadership group has been favourable, with seven of 13 promotions recognising talented women within Caltex.

### Flexibility

Flexibility continues to be a priority for Caltex as both an enabler of inclusiveness and part of our employment value proposition.

Caltex people value flexibility in many different forms and our policy on flexible work has demonstrated many positive benefits. Two out of three employees who responded to the 2018 Employee Engagement Survey utilise some form of flexible work arrangement, and these employees on average were 6% more engaged. 83% of all employees surveyed in 2018 agreed that their leaders are considerate of their lives outside of work.

To ensure that we sustain these outcomes, in 2018 Caltex ran a Focus on Flexibility campaign to share case studies on successful flexible working arrangements and to support leaders to make decisions consistent with our desired culture.

Flexibility also continues to be essential to parents at Caltex. In 2018 we reviewed our Parental Leave Policy to remove the minimum tenure for access to paid parental leave. This initiative aligns to our

employment value proposition – making it easier for expectant parents to join Caltex, manage the care of their newborn and then return to work. This change was promoted both internally and externally to attract diverse candidates and promote our inclusive and flexible work environment.

### Indigenous employment market capability

Caltex's inaugural Reconciliation Action Plan (RAP) was launched in 2018 to reinforce our commitment to making a meaningful difference to the lives of Indigenous Australians. The RAP is a public declaration of our commitment to reconciliation under the three pillars of building respect, relationships and opportunities.

Under the Opportunity pillar, attracting and retaining Aboriginal and Torres Strait Islander employees is a key area of focus.

In 2018 the number of employees who identified as Aboriginal or Torres Strait Islander increased from 83 employees to 147 employees, representing over 2% of our total workforce.

Caltex has strengthened our partnership with CareerTrackers, a program that provides Caltex with a future pipeline of Indigenous talent. We have increased the number of Indigenous interns employed through the CareerTrackers program from three to eight in 2018 and employed our first Indigenous school-based trainee.

### Inclusiveness

During 2018, Caltex acknowledged and celebrated a series of events such as R U OK day, Harmony Day, International Women's Day, Close the Gap, National Reconciliation Week and NAIDOC week, with a number of these being led by our 'Women in the Fuels Industry' and 'Indigenous Trailblazers' employee groups and supported by the Caltex Diversity and Inclusion Council.

Caltex was also a key sponsor of the external International Women's Day event 'Superhero Daughter Day'. Taking place across Australia, this event was run by the non-profit Tech Girls Movement and focused on providing primary school-aged girls the opportunity to participate in interactive activities that introduce them to the world of science, technology, engineering and maths (STEM). Over 60 Caltex employees and their families attended the event across Sydney, Brisbane, Melbourne and Adelaide.

Caltex has continued its support for veteran employment in 2018 and has participated in veteran employment fairs, raised funds and provided office space for the non-profit 'Soldier On'.

Finally, Caltex employed its first CareerSeekers intern within the engineering team of our Fuels & Infrastructure business. CareerSeekers is a program designed to give asylum seekers and refugees the opportunity to gain paid experience in the Australian marketplace and reconnect to their profession of choice. As well as helping to broaden the cultural talent profile at Caltex, this program also ensures that Caltex is an inclusive organisation and plays a part in efforts to resettle asylum seekers and refugees in Australia.

## 2018 key performance measures

### Our People

#### Personal safety

Total Recordable Injury Frequency Rate<sup>1</sup>

**7.71**

**Fuels & Infrastructure**  
(down from 8.23 in 2017)

**10.43**

**Convenience Retail**  
(up from 2.94 in 2017)

Days Away From Work Injury Frequency Rate<sup>2</sup>

**1.45**

**Fuels & Infrastructure**  
(down from 2.29 in 2017)

**2.81**

**Convenience Retail**  
(up from 0.59 in 2017)

#### Process Safety

**1 Tier One event**  
(no change since 2017)

**1 Tier Two event**  
(down from two events in 2017)

### Our Business

**69**

**Voice of Customer<sup>4</sup>**

**\$7.1<sup>BN</sup>**

**Total tax expense**

**\$20.2<sup>BN</sup>**

**Spent with suppliers**

**\$1.6<sup>BN</sup>**

**Capital returned to shareholders since 2016**



**Our framework extends across the four sectors as illustrated.**

For key performance measurements regarding number of employees, female representation, employee engagements and flexible working arrangements, see 'Our people taking us further' on pages 24-27.

### Our Community

**Established Caltex Foundation**

**\$1.97<sup>M</sup>**

**invested in communities in 2018<sup>3</sup>**

**Developed and implementing an inaugural Reconciliation Action Plan**

### Our Environment

**950,653**

**tonnes Scope 1 and Scope 2 carbon emissions**  
(increase of 6% since 2017)

**99.2**

**Lytton refinery Energy Intensity Index**

**Solar installations across 58 Caltex stores in 2018/19**

**0 major spills (>8,000L)**  
5 minor spills (>160L <8,000L)  
0 marine spills



# Our approach to sustainability

As Australia's largest transport fuels supplier, Caltex is focused on building and monetising capability and scale across the fuels and convenience value chain to maximise shareholder value. We recognise that along with delivering value for shareholders, we also need to make a positive contribution in the communities where we operate, care for our people, protect the environment and act in an ethical and transparent manner.

## Sustainability framework

We have established a sustainability framework which is focused on our key risks and opportunities that are most relevant to our business and stakeholders. To identify these, we undertook a materiality review during the year using several processes including stakeholder feedback, employee surveys and media and industry peer reviews. Our framework extends across four sectors, as illustrated on the opposite page.

This year we have prepared our inaugural Sustainability Report, which provides an overview of initiatives delivered in 2018 across each of our focus areas and our performance to date. Our 2018 Sustainability Report is available on our website [www.caltex.com.au](http://www.caltex.com.au).

In the coming year, we will update our materiality assessment and take a more detailed look at how we are responding to sustainability issues facing our business. This assessment will guide the further enhancement of our sustainability strategy and supporting performance management system, driving further integration of sustainability into our broader business strategy. The preparation of our strategy will involve further developing our baseline data to help establish meaningful targets that will improve performance and behaviours and increase transparency across our key material issues.

1. Total number of occupational injuries per 1 million hours worked. Occupational injuries include an injury requiring days away from work, restrictions in the work performed or medical treatment.
2. Total number of days away from work per 1 million hours worked. Days away from work is defined as the number of days a worker is certified by a physician to be unfit to perform normal duties, starting from the day after the incident occurred.
3. Total community investment value includes management costs and additional contributions to the community including employee volunteering.
4. Convenience Retail NPS score is for the period April to December 2018.

Image: Phillip Brenton, Environmental Engineer, Lytton Refinery; and Anne McCormick, Environment Team Leader, Lytton Refinery.

## 2018 performance highlights

Key initiatives delivered in 2018 are outlined below.



### Our People

#### Health and safety

##### Fuels & Infrastructure

- Delivery of a Safety Leadership program
- Simplified hazard identification tools to assist workers to identify and implement controls
- Delivery of a Move4Life manual handling training program
- Implementation of a Safe Guard Field check system to review implemented plant safe guards

##### Convenience retail

- Delivery of the 'Why I Stay Safe' employee engagement program
- Enhanced incident reporting and escalation process
- Integration of Safety in Design principles into new developments and fit-outs
- Introduction of Safety Share in-store meetings
- Development of Food Safety System to mitigate risk

#### Diversity and inclusion

- Delivery of a 'Focus on Flexibility' campaign to share ideas and encourage more flexible work arrangements
- Updated Parental Leave Policy adding additional flexibility for new parents returning to work
- Recruitment of a **CareerSeeker Intern**, providing an asylum seeker the opportunity to gain paid work experience
- Continued focus on developing female leaders, including supporting our first Women in Engineering scholar
- Supported the **Superhero Daughter Day**, providing school-aged children the opportunity to interact with STEM activities
- Continued support of **CareerTrackers** and **Clontarf Foundation**, providing educational opportunities for Indigenous students

#### Employee engagement

- Re-run of our employee engagement survey
- Development of our Employment Value Proposition - 'You Take Us Further' - demonstrating the unique elements that make Caltex an attractive place to work
- Launch of LinkedIn Learning for our employees



### Our Community

#### Community investment and engagement

- Established the **Caltex Foundation** to drive a more coordinated and strategic approach to community investment

#### Continued support of the Caltex Best All Rounder program to encourage children to do their best at school

- Supporting **Soldier On**, providing services to those returning from service to secure their future
- Partnership with Australian Road Safety Foundation and the **Fatality Free Friday** campaign to raise awareness of road safety
- Through **Rural Aid**, supporting rural communities and farmers through drought conditions

#### Reconciliation

- Development of our inaugural **Reconciliation Action Plan**

#### Celebrating and acknowledging the history, culture and achievements of Aboriginal and Torres Strait Islander peoples through events such as NAIDOC week



### Our Business

#### Innovation

- Launch of **Caltex Spark**, an initiative focused on partnering with start-ups to drive innovation, job creation and increased productivity
- Creation of **FuelPay**, allowing our customers to fill up and pay without leaving their vehicles

#### Launch of Voice of Customer at our Convenience Retail sites, receiving feedback from our customers to enhance their experience

#### Corporate governance

- Refresh of our **Code of Conduct**
- Refresh of our **Whistleblower Policy**

#### Risk management

- Review of the Caltex Risk Management Framework
- Continued delivery of our cyber security strategy

#### Responsible procurement

- Development of our Supplier Code of Conduct

#### Human rights

- Development of a new Human Rights Policy





## Our Environment

### Carbon management and climate change

- Development of a Climate Change Position Statement and commitment to align disclosures to the TCFD framework
- Installation of **photovoltaic (PV) panels** at 58 of our retail sites across 2018/19

### Supporting Virgin Australia's biojet fuel trial

### Pollution prevention

- Continued focus on spill prevention through an organisation-wide improvement program
- Continued delivery of our Underground Petroleum Storage System monitoring and replacement program; replacement of seven tank systems in 2018

### Resource efficiency

- Continued analysis of energy efficiency opportunities across our Convenience Retail sites
- Trial of **compostable coffee cups** at four Victorian The Foodary stores
- Installation of Return to Earn reverse vending machines at three New South Wales stores

### Removal of single-use plastic bags nation-wide from January 2019

- Delivery of a smart e-waste initiative at our Market Street head office
- Development of our Australian Packaging Covenant (APC) three-year action plan focusing on private label packaging



### Case Study

## Leveraging our network to improve resource efficiency

Caltex is committed to managing the use of natural resources to further commercial and environmental outcomes. Our efforts help us reduce our operating costs, support the preferences of our customers and help us build a more sustainable and competitive business.

Two recent initiatives in our Convenience Retail business highlight this commitment – the roll-out of the NSW Government's Container Deposit Scheme (CDC) across three of our stores and the decision to eliminate single-use plastic bags.

In late 2017, the NSW Government introduced the CDS, providing residents the ability to 'return and earn' 10 cents from every eligible drink container deposited. In partnership with Tomra, we installed return to earn reverse vending machines at our Seven Hills, Concord West and Luddenham stores across Sydney. Since installation in September 2018, 1,038,481 containers have been collected, averaging 260,000 containers per month. We are very proud to play a role in reducing waste going to landfill and will continue to look at opportunities to roll out additional reverse vending machines across our stores in the coming years.

Caltex also recognises that the removal of single-use plastic bags is not only important to our customers, but that the scale of our operations gives us the opportunity to play a key role in reducing the impact of plastics on our environment.

From January 2019, we will stop offering single-use plastic bags at all our retail sites and introduce alternatives for our customers, including our The Foodary hessian bags and reusable bags made from 80% recycled content.

Image: Caltex's first Return and Earn vending machine at our Seven Hills store in Sydney's west.



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# 2018 Financial Report

FOR CALTEX AUSTRALIA LIMITED  
ACN 004 201 307

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The 2018 Financial Report for Caltex Australia Limited includes:

- **Directors' Report**
- **Lead Auditor's Independence Declaration**
- **Directors' Declaration**
- **Independent Auditor's Report to the Shareholders of Caltex Australia Limited**
- **Consolidated Income Statement**
- **Consolidated Statement of Comprehensive Income**
- **Consolidated Balance Sheet**
- **Consolidated Statement of Changes in Equity**
- **Consolidated Cash Flow Statement**
- **Notes to the Financial Statements for the year ended 31 December 2018**

## Caltex Group

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

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

## Directors' Report

### The Board

#### Introduction

Caltex Australia Limited presents the 2018 Directors' Report (including the Remuneration Report) and the 2018 Financial Report for Caltex Australia Limited (Caltex) and its controlled entities (Caltex Group) for the year ended 31 December 2018. An Independent Audit Report from KPMG, as external auditor, is also provided.

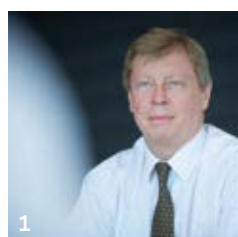
#### Board of Directors

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

The following changes to the composition of the Board have occurred since 1 January 2018:

- Mr Mark Chellew was appointed to the Caltex Board as an Independent Non-executive Director, effective 2 April 2018.

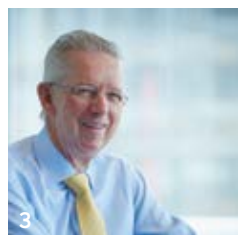
The Board made changes to the composition of its standing Committees effective from 1 January 2019.



1



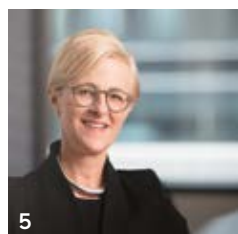
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8

#### 1 Steven Gregg

**Chairman and Independent Non-executive Director**

**Date of appointment:** 9 October 2015

**Appointed Chairman:** 18 August 2017

**Board committees:**

Nomination Committee (Chairman) and attends meetings of the Audit Committee, the Human Resources Committee and the Safety and Sustainability Committee in an ex-officio capacity.

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

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

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

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

#### 2 Julian Segal

**Managing Director and CEO**

**Date of appointment:** 1 July 2009

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

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

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

#### 3 Trevor Bourne

**Independent Non-executive Director**

**Date of appointment:** 2 March 2006

**Board committees:**

Safety and Sustainability Committee (Chairman to 1 January 2019), Human Resources Committee and Nomination Committee

Trevor brings to the Board broad management experience in industrial and capital-intensive industries, and a background in engineering and supply chain. Trevor is Chairman of Senex Energy Limited, a director of Sydney Water Corporation and a director of Virgin Australia Holdings Limited. He was previously a founding director of Origin Energy Limited for 12 years.

From 1999 to 2003, he served as CEO of Tenix Investments. Prior to Tenix, Trevor spent 15 years at Brambles Industries, including six years as Managing Director of Brambles Australasia, 15 years at BHP and 8 years with the then Orica subsidiary Incitec Pivot.

Trevor 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.

#### 4 Mark Chellev

##### Independent Non-executive Director

**Date of appointment:** 2 April 2018

##### Board committees:

Safety and Sustainability Committee, Human Resources Committee and Nomination Committee

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

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

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

#### 5 Melinda Conrad

##### Independent Non-executive Director

**Date of appointment:** 1 March 2017

##### Board committees:

Audit Committee, Human Resources Committee and Nomination Committee

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

Melinda is currently a director of ASX Limited, a director of Stockland Group and a director of the George Institute for Global Health. She is a Member of the ASIC Director Advisory Panel and the Australian Institute of Company Directors Corporate Governance Committee.

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

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

#### 6 Bruce Morgan

##### Independent Non-executive Director

**Date of appointment:** 29 June 2013

##### Board committees:

Audit Committee (Chairman), Safety and Sustainability Committee and Nomination Committee

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

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

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

#### 7 Barbara Ward AM

##### Independent Non-executive Director

**Date of appointment:** 1 April 2015

##### Board committees:

Human Resources Committee (Chairman), Audit Committee and Nomination Committee

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

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

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

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

## Directors' Report

CONTINUED

### The Board continued

#### 8 Penny Winn

**Independent Non-executive Director**

**Date of appointment:** 1 November 2015

**Board committees:**

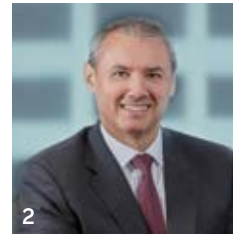
Safety and Sustainability Committee (Chairman from 1 January 2019), Audit Committee and Nomination Committee

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

Prior to her appointment to Caltex, Penny 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 internationally.

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

### Leadership Team



#### 1 Andrew Brewer

**Executive General Manager, Transformation**

Andrew Brewer was appointed to this position in 2017. He is an experienced senior executive in the energy and resources sector. Commencing his career as a professional electrical engineer, Andrew has held leadership roles in engineering, project management, maintenance, reliability, operations, business strategy, planning and general management.

Andrew's career has spanned the minerals processing, resources and energy industries across Australia and in Canada where he was Downstream Country Chair and General Manager of the Burnaby oil refinery for Chevron Canada. Andrew also previously managed the Kurnell refinery.

Caltex has announced changes to its leadership team. Please visit <https://www.caltex.com.au/our-company/investor-centre/asx-announcements> for further information.

## 2 Viv Da Ros

### Chief Information Officer

Viv Da Ros was appointed to this position in December 2016 and is responsible for leading the technology transformation program at Caltex.

He is a commercially-driven senior technology executive focused on customer-centric, innovative solutions which deliver operational efficiencies and engagement. His nearly 30 years of experience includes senior leadership positions in Australia, Asia and Europe, predominantly in the retail sector with the ASW Group, Tesco, KPMG and Dairy Farm International.

Viv holds a Master of Business Administration from Manchester Business School and a Master of Project Management from the University of Technology, Sydney.

## 3 Simon Hepworth

### Chief Financial Officer

Simon Hepworth was appointed to this position in 1999. He joined Ampol in 1996, after 10 years with Arthur Andersen. He is responsible for Finance, Accounting and decision support, Treasury, Taxation, Investor Relations, Information Technology and Procurement.

Simon holds a Bachelor of Arts and a Masters of Applied Finance. He is a member of the Institute of Chartered Accountants in England and Wales. He is also a member of the Australian Institute of Company Directors.

## 4 Richard Pearson

### Executive General Manager, Convenience Retail

Appointed in August 2017, Richard Pearson is accountable for leading the transformation of Caltex's retail and consumer fuel business.

Richard has worked in retail and consumer goods for 20 years in Australia and the UK with a broad range of leadership experience across commercial functions.

Before joining Caltex, Richard was a member of the leadership team at Coles Supermarkets where he was most recently the Supply Chain & Strategy Director. Prior to this, Richard was the Merchandise Director and the Director responsible for Coles Express. Richard holds a Bachelor of Arts from Cambridge University.

## 5 Lyndall Stoyles

### Executive General Manager, Legal and Corporate Affairs

Appointed as Executive General Manager Legal and Corporate Affairs in October 2016, Lyndall Stoyles manages Caltex's legal, secretariat, internal audit, compliance and corporate affairs teams. As Executive General Manager Legal and Corporate Affairs, she is responsible for providing legal advice to Caltex's Board, CEO and broader leadership team. She is also Company Secretary to the Board.

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

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

## 6 Alan Stuart-Grant

### Executive General Manager, Strategy and Corporate Development

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

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

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

## 7 Joanne Taylor

### Executive General Manager, Human Resources

Joanne Taylor joined Caltex in 2016.

She is an accomplished senior leader, having worked in human resources and operational roles for businesses such as McDonald's Australia, Westpac, The Star and The Australian Industry Group.

Joanne's last role at McDonald's was Senior Vice President Human Resources, Corporate Communications and Supply Chain. Prior to this, her roles included leading the franchise and company operations across New South Wales and the Australian Capital Territory for approximately 290 retail stores.

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

## 8 Louise Warner

### Executive General Manager, Fuels & Infrastructure

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

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

## Directors' Report

CONTINUED

### 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 75 to 119.

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 is one of Australia's leading transport fuel suppliers and convenience retailers and has safely and reliably fueled the needs of Australian motorists and businesses for more than a century. Listed on the Australian Securities Exchange, Caltex's head office is in Sydney and the Company has approximately 6,600 employees in Australia and New Zealand.

Caltex aims to be the leader in complex supply chains and the evolving convenience retail market, by delivering the fuel and other everyday needs of its diverse customers through its networks.

The principal activities of Caltex during the year were the purchase, supply, refining, distribution and sale of petroleum products and the operation of convenience stores throughout Australia and the North Island of New Zealand under the Gull NZ brand. Caltex also supplies fuel to international customers including to Gull NZ and to SEAOL in the Philippines (a business in which Caltex holds a 20% equity interest). Caltex also buys and sells refined products on the open market both overseas and locally through its shipping and trading entity, Ampol, based in Singapore. There were no significant changes in Caltex's principal activities during the 2018 financial year.

At Lytton in Brisbane, Caltex manufactures fuels, including LPG, petrol, diesel and jet fuel along with lubricants, greases and other small amounts of fuel oil and speciality products.

The products that Caltex manufactures and imports are marketed and distributed to retail and commercial consumers and are supplied via a network of pipelines, terminals, depots and Company-owned and contracted transport fleets.

### Group strategy

Our strategy is to build and monetise capability and scale across the fuels and convenience value chain, to maximise shareholder value enabled by a valuable network of well-placed assets. Caltex controls a hard to replicate, privileged network of retail and distribution assets, remaining focused on delivering integrated value and growth across the value chain.

Over the past five years, Caltex has transformed its strategy from that of a refiner-marketer, to a market-leading integrated transport fuels business in Australia, an emerging player in the Asian region as well as commencing our journey in convenience retail.

#### Five Years Ago

- 50% owned by Chevron
- Loss making refinery & supply
- Low asset utilisation
- International supply by Chevron
- Generic retail offer

#### 2013

- EPS: 123 cents
- DPS: 34 cents
- ROCE\*: 16.5%

#### Today

- Independent ASX 50 company
- Profitable refining operations
- Asian Trading & Shipping hub
- Growing international expansion
- Retail transformation commenced

#### 2018

- EPS: 214 cents
- DPS: 118 cents
- ROCE\*: 19.0%

\* ROCE calculated as RCOP EBIT over net assets plus net debt.

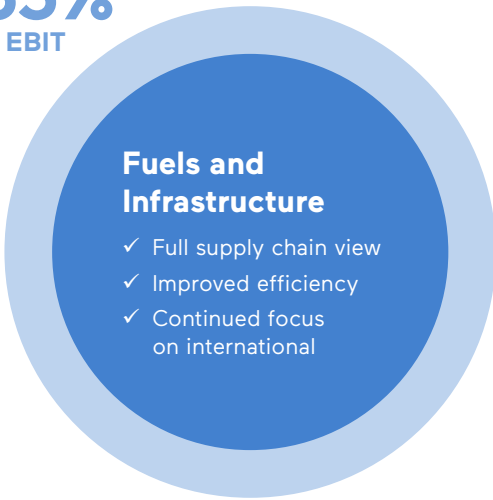
In 2017, Caltex made the decision to change its operating model by establishing two inter-dependent, but different businesses which require separate cultures, processes and systems both with significant growth options.

From 1 January 2018, the company merged Supply, B2B, Refining and Infrastructure into one business unit (Fuels & Infrastructure) to better optimise our value chain. Convenience Retail focuses on the company's consumer-facing petrol and convenience (P&C) business. There remains strong operational linkages across the business units in fuel supply, shared resources and StarCard sales.



Caltex Australia

65%  
of EBIT



35%  
of EBIT



Operational Linkages

- Fuel supply
- Shared resources
- StarCard sales

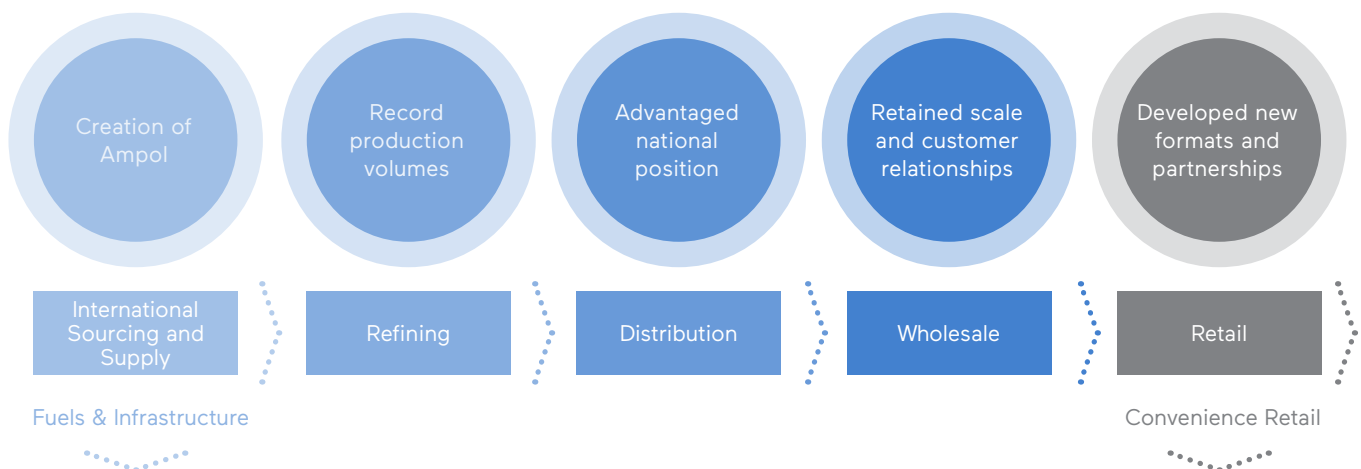
The Fuels & Infrastructure business focuses on a “Protect and Grow” strategy which is delivering value through three strategic priorities:

1. **Optimise our 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.
2. **Grow trading and shipping:** Continue to develop and expand the capabilities and operations of Ampol. This allows Caltex to capture opportunities for value creation in sourcing and delivering product and enables international expansion into the Asia Pacific region.
3. **Protect and grow our supply base:** Execute organic and inorganic strategies to increase marketing volumes in target regions to support long term infrastructure investment and competitive supply.

The Convenience Retail business focuses on an “Extend” strategy which is delivering value through two strategic priorities, underpinned by our valuable network of well-placed assets:

1. **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 customers’ spend whilst there.
2. **Create new customer solutions in the convenience marketplace:** Leverage Caltex’s existing strong consumer-facing business, including our network of over 900 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.

Key Successes



Our recent focus on building capability has been in the two parts of the value chain which offer the most material upside

As a key part of our group strategy, in 2018 Caltex extended and expanded its long-term partnership with Woolworths to include the co-creation of a market-leading convenience offering as well as a long-term wholesale grocery supply, loyalty and redemption arrangements. This new strategic partnership with Woolworths enables Caltex to strengthen and accelerate its Convenience Retail Strategy while maintaining the fuel supply Woolworths petrol business, which further strengthens the platform for long term Fuels & Infrastructure growth.

## Directors' Report

CONTINUED

### Operating and financial review continued

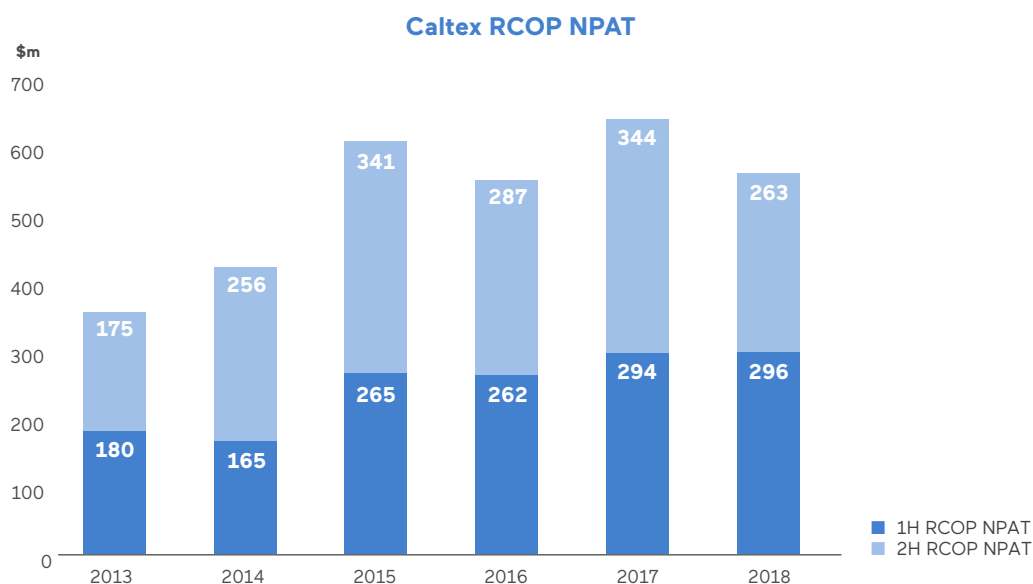
#### Caltex Group results 31 December 2018

On an historical cost profit basis, Caltex recorded an after-tax profit of \$560 million for the 2018 full year, including significant items of \$12 million loss. This compares with the 2017 full year profit of \$619 million, which included significant items of \$14 million loss. The 2018 result includes a product and crude oil inventory gain of \$14 million after tax, which compares with an inventory gain of \$12 million after tax in 2017.

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

	2018 \$m (after tax)	2017 \$m (after tax)
<b>Reconciliation of the underlying result to the statutory result</b>		
Net profit attributable to equity holders of the parent entity	560	619
Deduct/add: Significant items (gain)/loss	12	14
Deduct/add: Inventory (gain)/loss	(14)	5
<b>RCOP NPAT (excluding significant items)</b>	<b>558</b>	<b>638</b>

On an RCOP<sup>1,2</sup> basis, Caltex recorded an after-tax profit for the 2018 full year of \$558 million. This compares with an RCOP after-tax profit of \$621 million for the 2017 full year, excluding significant items.



### Dividend

The Board has declared a final fully franked dividend of 61 cents per share for the second half of 2018, in line with the dividend policy pay-out ratio of 50% to 70%. Combined with the interim dividend of 57 cents per share for the first half, this equates to a total dividend of 118 cents per share for 2018 (fully franked). This compares with a total dividend payout of 121 cents per share (fully franked) for 2017. The record and payment dates for the final dividend are 4 March 2019 and 5 April 2019 respectively.

1. Replacement cost of sales operating profit (RCOP) excluding significant items (on a pre- and post-tax basis) is a non-International Financial Reporting Standards (IFRS) measure. It is derived from the statutory profit adjusted for inventory (gains)/losses, as management believes this presents a clearer picture of the Company's underlying business performance as it is consistent with the basis of reporting commonly used within the global oil industry. This is unaudited. RCOP excludes the unintended impact of the fall or rise in oil and product prices (key external factors). It is calculated by restating the cost of sales using the replacement cost of goods sold rather than the historical cost, including the effect of contract-based revenue lags.
2. Pricing lags on product sales has now been excluded from RCOP earnings, and now included in movement in inventory as a component of inventory gain/loss. While 2017 HCOP profits remain unchanged, there has been a minor change in 2017 RCOP profits. All references to RCOP have been restated within this document.

## Income statement

For the year ended 31 December 2018	2018 \$m	2017 \$m (restated)*
1. Total revenue <sup>1</sup>	21,744	16,234
Share of net profit of entities accounted for using the equity method*	10	-
2. Total expenses <sup>2</sup>	(20,928)	(15,275)
<b>Replacement cost earnings before interest and tax</b>	<b>826</b>	<b>959</b>
Finance income	3	3
Finance expenses	(52)	(70)
3. <b>Net finance costs</b>	<b>(49)</b>	<b>(67)</b>
Income tax expense <sup>3</sup>	(218)	(254)
<b>Replacement cost of sales operating profit (RCOP)</b>	<b>558</b>	<b>638</b>
4. Significant items gain/(loss) after tax	(12)	(14)
5. Inventory gain/(loss) after tax	14	(4)
<b>Historical cost net profit after tax</b>	<b>560</b>	<b>619</b>
Interim dividend per share	57c	60c
Final dividend per share	61c	61c
Basic earnings per share		
Replacement cost (excluding significant items)	214c	238c
Historical cost (including significant items)	215c	237c

## Discussion and analysis – Income statement

<p><b>1. Total revenue</b> ▲ 34%</p>	<p>Total revenue increased due to a combination of higher sales volumes, the impact of higher average crude prices and revenue contributions from the acquisitions of Gull NZ, SEAOIL and Milemaker Petroleum. Product prices are denominated in US dollars.</p> <p>The weighted average Brent crude oil price in 2018 was US\$71/bbl, compared to US\$54/bbl in 2017.</p>
<p><b>2. Total expenses – replacement cost basis</b> ▲ 37%</p>	<p>Total expenses also increased primarily as a result of higher replacement cost of goods sold due to the higher price of refined product.</p>

1. Includes other income of \$13 million (2017: \$2 million).

\* This amount was mistyped in the 2018 Preliminary Financial Statements, the correct rounding is now shown.

2. Includes significant item loss of \$12 million (2017: \$14 million loss).

3. Excludes tax payable on inventory gain of \$6 million (2017: \$6 million tax payable) and excludes tax cost on significant items of \$5 million (2017: \$10 million).

\* Product duties and taxes have been reclassified to be presented net in revenue. Appropriate disclosure has been included in the full year report of the reclassification of prior period comparative amounts.

## Directors' Report

CONTINUED

### Operating and financial review continued

#### Income statement continued

#### RCOP EBIT breakdown<sup>1</sup>

<b>Fuels &amp; Infrastructure EBIT</b>	<b>\$570m</b>
<p>Fuels &amp; Infrastructure EBIT consists of the segment's earnings on fuel products through the Lytton refinery, other Australian earnings (including earnings on sales to the Convenience Retail segment) and International earnings.</p> <p>Lytton EBIT in 2018 was \$161 million, a decrease of 51% from 2017. The US dollar CRM was lower in 2018 at US\$9.99/bbl compared with US\$13.02/bbl for 2017 (-23%). In AUD terms, the CRM was 8.40 Australian cents per litre in 2018, compared with 10.67 Australian cents (-21%) per litre in 2017 driven by the lower USD margin, offset by a slightly lower AUD. CRM represents the difference between the cost of importing a standard Caltex basket of products to eastern Australia and the cost of importing the crude oil required to make that product basket. The CRM calculation represents the average Singapore refiner margin + product quality premium + crude discount / (premium) + product freight - crude freight - yield loss. Lytton production volumes were 6.2 billion litres (2017: 6.2 billion litres).</p> <p>2018 Australian EBIT (excluding Lytton) was \$358 million, \$15 million increase on 2017 and International EBIT was \$68 million, \$45 million increase on 2017.</p> <p>Total Fuels &amp; Infrastructure volumes increased by 7% to 20.4 billion litres in 2018. Australian sales (Convenience Retail and Australian Wholesale) grew by a net 2% to 16.9 billion litres, with Australian wholesale volume (B2B, Woolworths and other supply counterparties) growth of 4%, underpinned by growth from B2B in both diesel and jet. Total sales volumes to Caltex Convenience Retail have fallen 4% to 4.9 billion litres in 2018. International volumes (Gull, Ampol trading, Lytton exports) increased by 39% to 3.5 billion litres due to growth in Ampol activity, a full period of contribution from Gull, and the commencement of managing supply for SEAOL.</p>	
<b>Convenience Retail EBIT</b>	<b>\$307m</b>
<p>Convenience Retail EBIT consists of the segment's earnings on fuel products and shop products at Caltex convenience stores.</p> <p>Convenience Retail EBIT was down 8% on 2017 due to the ongoing transition of franchise stores to company operations and new format rollout. Convenience Retail fuel volumes fell 4% to 4.9BL in 2018, broadly in line with the total market. Volume in 2018 was impacted by historically high board prices, from the increase in global crude pricing and a decline in the Australian exchange rate through the year.</p>	
<b>Corporate EBIT</b>	<b>(\$51m)</b>
<p>Corporate operating expenses have increased by \$10 million on 2017, due to costs associated with Group projects, including the new Woolworths fuel supply agreement and expanded partnership arrangement.</p>	
<b>RCOP EBIT excluding significant items</b>	<b>\$826m</b>

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.

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**Discussion and analysis – Income statement continued**


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<b>3. Net finance costs</b> ▼ 26%	Net finance costs decreased by \$18 million compared with 2017. The drivers of the reduction in interest cost is due to the unwinding of interest expense of the remediation provision, interest savings from the hybrid redemption, partly offset by lower capitalised interest.
<b>4. Significant items after tax</b> \$17m	<p>During 2018, there were net significant items of \$17 million loss (\$12 million loss after tax). The significant items consist of the loss on exit from Caltex's 49% interest in Kitchen Food Company of \$27 million, offset by the partial writeback of the Franchisee Employee Assistance Fund (\$10 million).</p> <p>During 2017, there were net significant items of \$24 million loss (\$14 million loss after tax). The significant items are a result of the announced establishment of the Franchisee Employee Assistance Fund (\$20 million), restructuring and redundancy costs associated with the capability and competitiveness project Quantum Leap (\$23 million), offset by the profit on sale of Caltex's fuel oil business and the utilisation of prior period capital losses to partially offset tax expense on the profit on sale.</p>
<b>5. Inventory gain after tax</b> \$12m	There was an inventory gain of \$12 million after tax in 2018. Over time revenues will increase/decrease as the price of products changes, this includes impacts from the AUD/USD exchange rate movements. As Caltex holds crude and product inventory the price at which the inventory was purchase will often vary from the price at the time of the revenue, thereby creating an inventory gain or loss.

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**Business unit performance**

**Fuels & Infrastructure** delivered an EBIT result of \$570 million, within the guidance range of \$560-580 million provided in December. This result includes unfavourable externalities of \$16 million, comprising a net realised loss (after hedging) on foreign exchange.

Total Fuels & Infrastructure fuel sales volumes increased by 7% to 20.4BL in 2018, underpinned by a 39% increase in international sales volumes to 3.5BL. This was due to growth in Ampol activity, a full period of contribution from Gull NZ, the commencement of managing supply on behalf of SEAOIL and increasing international third-party sales.

Australian sales volumes (Convenience Retail and Australian Wholesale) grew by a net 2% (0.3BL) to 16.9BL. Sales to Australian Wholesale customers (excluding Woolworths) were up by 10%, an exceptional result. This was partly offset by lower sales to Caltex Convenience Retail and to Woolworths, reflecting the decline in the Australian Retail fuel sector during 2018.

Included in the Fuels & Infrastructure 2018 result is an EBIT contribution of \$161 million from the Lytton refinery, down \$167 million due to the impact of lower refiner margins and the impact of the previously announced refinery outage. The average 2018 CRM was US\$9.99 per barrel, which compares unfavourably with the 2017 average of US\$13.02 per barrel. Total production was 6.2BL which is in line with 2017.

**Convenience Retail** delivered an EBIT result of \$307 million, above the guidance of \$295-305 million provided in December.

During 2018, Caltex continued the transition of franchise sites to Company operations, a key enabler of the Company's convenience retail strategy. A total of 182 franchise sites were transitioned to Company operations during the year, with a total 516 sites within the Caltex Retail network of 793 sites Company operated as of 31 December 2018. The transition of sites from franchise to company operation impacted Retail earnings by approximately \$20 million and was a key driver of the Convenience Retail EBIT result being 8% lower than the 2017 result.

The expanded Woolworths loyalty and fuel redemption arrangements commenced in November 2018, with encouraging early results. The first new Caltex Woolworths Metro convenience store is now expected to open in 2H 2019.

**Corporate** costs total of \$51 million increased by \$10 million on 2017, given major project activities (Woolworths strategic partnership, the asset optimisation review, commercial separation, and other business development opportunities) in 1H 2018.

## Directors' Report

CONTINUED

### Operating and financial review continued

#### Balance sheet

as at 31 December 2018	2018 \$m	2017 \$m	Change \$m
1. Working capital	822	595	227
2. Property, plant and equipment	2,890	2,818	72
3. Intangibles	554	517	37
4. Net debt	(955)	(814)	(141)
5. Other non-current assets and liabilities	78	(8)	86
Total equity	3,389	3,108	281

#### Discussion and analysis – Balance sheet

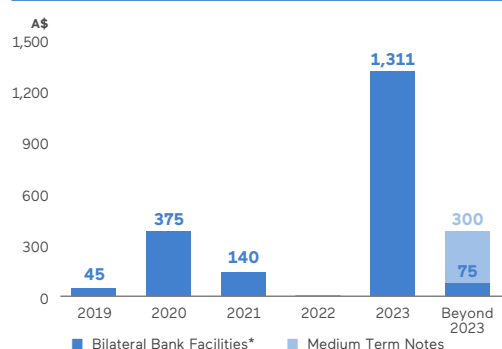
- Working capital**  
**▲ \$227m**  
 The increase in working capital is primarily driven by higher volume of trade sales outstanding, and lower crude payables at 31 December 2018.
- Property, plant and equipment**  
**▲ \$72m**  
 The increase in property, plant and equipment is primarily due to capital expenditure and accruals, including major cyclical maintenance, of \$293 million, partly offset by depreciation of \$224 million and disposals of \$40 million.
- Intangibles**  
**▲ \$37m**  
 Intangibles have increased primarily due to software additions of \$62 million and an increase due to foreign currency translation difference of \$11 million, which is partly offset by amortisation of \$31 million, impairment of \$3 million and disposals of \$2 million.
- Net debt**  
**▲ \$141m**  
 Net debt increased by \$141 million to \$955 million at 31 December 2018. Caltex's gearing at 31 December 2018 (net debt to net debt plus equity) was 22.0%, increasing from 20.8% at 31 December 2017. On a lease-adjusted basis, gearing at 31 December 2018 was 34.6%, compared with 36.1% at 31 December 2017.

#### Current Sources of Funding

	A\$m	Source
Medium Term Notes	300	Australian and Asian Institutional
Bilateral Bank Facilities*	1,946	Global Banks
	<b>\$2,246m</b>	

\* AUD equivalent. Includes \$250m Inventory Finance Facilities. Bank facilities contain an 'evergreen provision' to facilitate extensions.

#### Debt Maturity Profile



- Other non-current assets and liabilities**  
**▲ \$86m**  
 Other non-current assets and liabilities increased due to SEOIL Investment, partly offset by a decrease in deferred tax asset.

## Cash flows

For the year ended 31 December 2018		2018 \$m	2017 \$m	Change \$m
1.	Net operating cash inflows	597	735	(138)
2.	Net investing cash outflows	(426)	(800)	(374)
3.	Net financing cash outflows	(223)	(135)	88
	Net increase/(decrease) in cash held <sup>(i)</sup>	(38)	(200)	(162)

Notes:

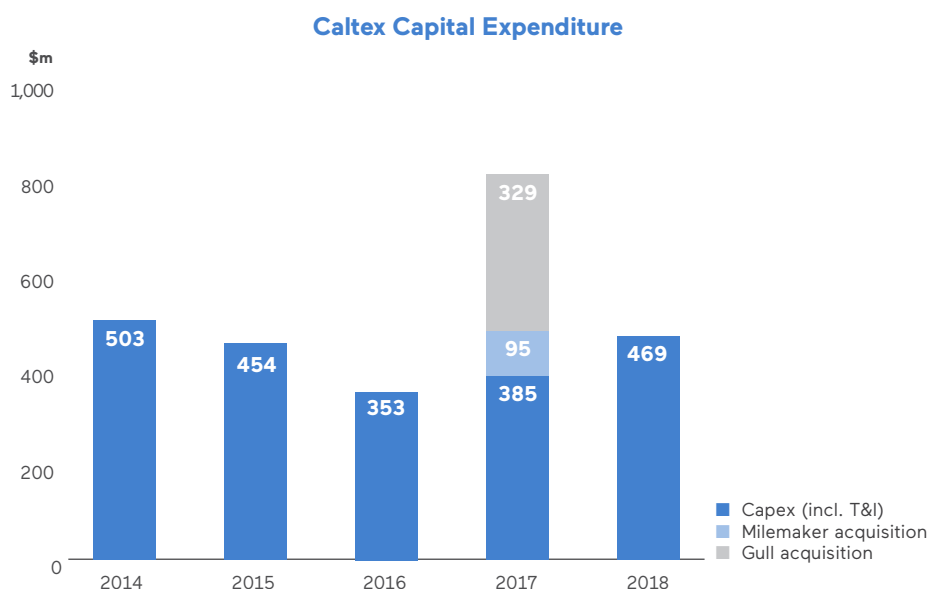
(i) Excluding effect of exchange rates on cash and cash equivalents.

## Discussion and analysis – Cash flows

<b>1. Net operating cash inflows</b> ▼ \$138m	While receipts from customers are higher in 2018, this was more than offset by higher payments to suppliers, employees and governments – as both are driven by current product prices and volumes.
<b>2. Net investing cash outflows</b> ▼ \$374m	Net investing cash outflows were lower in 2018, due to higher acquisition outlays in 2017, particularly Gull NZ.
<b>3. Net financing cash outflows</b> ▲ \$88m	<p>The net financing outflow in 2018 was driven by dividend payments of \$308 million, partly offset by net proceeds/repayments of borrowings of \$87 million. In 2018 there was refinancing of bank facilities and capital market borrowings.</p> <p>Similarly, in 2017 the net financing outflow was driven by dividend payments of \$292 million, partly offset by net proceeds/repayments of borrowings of \$159 million. In 2017 there was refinancing of bank facilities and capital market borrowings.</p>

## Capital expenditure

Capital expenditure in 2018 totalled \$469 million. Excluding major T&I spending at Lytton refinery of \$39 million, capital expenditure was \$430 million. Capital expenditure in 2019 is expected to range between \$320 million and \$385 million.



## Directors' Report

CONTINUED

### Operating and financial review continued

#### 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 market competitiveness, exchange rates 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 statements.

#### Overview

Caltex's focus is to maintain a leading position within the transport fuels industry regionally and growing convenience retailing. In support of this, 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.

#### Fuels and Infrastructure

Optimising our infrastructure position means we run our assets in a safe and cost efficient way. This means we can supply what our customers need, anywhere they need it, safely and reliably, ultimately making their lives easier.

Ampol plays a critical role in our integrated value chain by leveraging our infrastructure positions such as the Kurnell terminal, optimising the supply chain around the Caltex Lytton refinery, including crude and feedstock, sourcing from a broader range of locations, and make-or-buy decisions around premium fuels. The international market knowledge provided by the experienced team and the strong shipping and operational capability allows Caltex to access new opportunities more rapidly as market conditions change. This includes re-optimising the trade flow for Australia and capturing sales into new markets such as New Zealand, the Philippines and other regional supply locations.

Our conservative approach to trading and shipping remains unchanged, with our activities focused on our strength of physical supply and optimisation. We continue to improve our risk management capability, by enhancing our prudent commodity risk management systems to enable opportunities in the international market, capture higher earnings and reduce cash flow volatility.

We take pride in our expertise in managing complex supply chains and have demonstrated continued investment in distribution infrastructure into every corner of Australia throughout 2018, enabling us to better serve our customers and remain their supplier of choice.

#### Convenience Retail

As our customers' needs and wants evolve, we continually focus on making a difference for customers and building a convenience retail offer that gives them a reason to come to our sites whether that be to fill up their vehicle, enjoy a barista made coffee or have a digitally enabled experience to enjoy both.

During 2018, Caltex continued the transition of franchise sites to Company operations, a key enabler of the Company's convenience retail strategy. A total of 182 franchise sites were transitioned to Company operations during the year, with a total 516 sites within the Caltex Retail network of 793 sites Company operated as of 31 December 2018. The transition of sites from franchise to company operation impacted Retail earnings by approximately \$20 million and was a key driver of the Convenience Retail EBIT result being 8% lower than the 2017 result.

The expanded Woolworths loyalty and fuel redemption arrangements commenced in November 2018, with encouraging early results. The first new Caltex Woolworths Metro convenience store is now expected to open in 2H 2019.

#### Lytton

The Lytton refinery is Caltex's sole refinery. Lytton Refinery continues to deliver on its promise to be a safe, reliable and competitive part of our supply chain.

#### Business risks and management

There are a number of risks that could have an impact on Caltex achieving its financial goals and business strategy. A range of factors, some of which are beyond Caltex's control, can influence performance across Caltex's businesses.

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 Safety and Sustainability Committee and the Human Resources Committee each receive reports on material risks relevant to their responsibilities. The Board and the Safety and Sustainability Committee also receive risk updates throughout the year. Caltex's Current Risk Management Summary and Governance Policies and Documents are all available on its website at [www.caltex.com.au/our-company/investor-centre/corporate-governance](http://www.caltex.com.au/our-company/investor-centre/corporate-governance).

We have not included information where it would be likely to result in unreasonable prejudice to Caltex. This includes information that is confidential or commercially sensitive or could give a third party a commercial advantage (for example, details of our internal budgets and forecasts), except where disclosure is required pursuant to our continuous disclosure obligations.



Key areas of materiality Risks	Monitor and manage risk
<b>Caltex Refiner Margin (CRM)</b> <ul style="list-style-type: none"> <li>The CRM is a key metric which drives the profitability of Caltex's refinery.</li> <li>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.</li> <li>A low CRM will adversely impact Caltex's refining earnings and cash flows.</li> </ul>	<ul style="list-style-type: none"> <li>Caltex regularly monitors the CRM and reports this as part of its updates to senior management and the Board.</li> <li>Caltex's policy has been not to hedge refiner margins.</li> </ul>
<b>Commodity Price Risk</b> <ul style="list-style-type: none"> <li>Caltex is exposed to the risk of price movements in both crude and finished product through its purchase and sales transactions, as these impact Caltex's earnings and cash flows.</li> </ul>	<ul style="list-style-type: none"> <li>Caltex seeks to manage this exposure by matching purchase and sales transactions price timing where possible, and by utilising both crude and finished product derivative contracts to manage remaining exposures in accordance with Group Treasury Policy.</li> </ul>
<b>Foreign Exchange Risk</b> <ul style="list-style-type: none"> <li>Caltex is exposed to the effect of changes in foreign exchange rates.</li> <li>Caltex purchases crude and products in USD and sells predominantly in AUD, with pricing formulas reflecting changes in the AUD/USD exchange rate. Due to timing differences between payments for purchases and pricing of sales, a change in the foreign exchange rate may negatively impact Caltex's earnings and cash flow.</li> <li>Additionally, the CRM is determined principally with reference to the USD Singapore spot product price relative to the US dollar Brent crude price. An increase in the AUD/USD exchange rate will adversely impact Caltex's Australian dollar refiner margin, and therefore refining earnings and cash flows.</li> </ul>	<ul style="list-style-type: none"> <li>Foreign exchange contracts (forwards, swaps and options) are used to hedge foreign currency exposure in accordance with Group Treasury Policy. The instruments used to manage foreign exchange risk expose Caltex to fair value foreign exchange rate risk and counterparty credit risks.</li> <li>Exposure limits are set for each counterparty to ensure that Caltex is not exposed to excess counterparty credit risks.</li> </ul>
<b>Liquidity Risk</b> <ul style="list-style-type: none"> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>Caltex seeks to prudently manage liquidity risk by maintaining a capital structure that supports its activities and centrally monitoring cash flow forecasts and the degree of access to debt and equity markets.</li> <li>A key element of its funding strategy is the use of committed undrawn debt facilities, with an extended facility maturity profile.</li> </ul>
<b>Operational Risk</b> <ul style="list-style-type: none"> <li>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.</li> <li>Caltex's operations are heavily reliant on information technology and these systems could be disrupted due to external threat or systems error.</li> </ul>	<ul style="list-style-type: none"> <li>To mitigate against potential losses from such risk, Caltex has in place: <ul style="list-style-type: none"> <li>an integrated management system for managing safety, health and environment; and</li> <li>a comprehensive risk management framework which actively manages and mitigates these risks from the corporate Group level through to the local site operating level and involves active engagement at the senior management level.</li> </ul> </li> <li>Caltex also manages certain major risk exposures through its comprehensive corporate insurance program, which provides cover for damage to facilities and associated business interruption as well as product liability.</li> <li>Caltex's information technology (IT) and systems are subject to regular review and maintenance and business continuity plans are in place. Caltex actively monitors and responds to potential local and global IT security threats.</li> </ul>

## Directors' Report

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### Business risks and management continued

Key areas of materiality	Risks	Monitor and manage risk
<b>Competitive Risk</b>	<ul style="list-style-type: none"> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>Caltex has in place various strategies to manage competitive risks which are designed to sustain and improve margins by reducing costs, improving operating efficiencies and encouraging sustainable performance.</li> <li>These strategies include the implementation of organisational restructuring, geographic diversification, and the allocation of capital expenditure to those businesses with the potential to deliver strong earnings growth.</li> </ul>
<b>Environmental Risks</b>	<ul style="list-style-type: none"> <li>Caltex imports, refines, stores, transports and sells petroleum products. Therefore, Caltex is exposed to the risk of environmental spills and incidents. Caltex is also responsible for contaminated sites which it operates or has previously operated.</li> </ul>	<ul style="list-style-type: none"> <li>As part of its approach to managing these risks, Caltex applies strict operating standards, policies, procedures and training to ensure compliance with all applicable environmental laws; and Caltex's spills performance is a key performance metric.</li> <li>Caltex is focused upon achieving better environmental outcomes across its business as part of its strategy to deliver solid and sustained performance.</li> <li>Further details on how Caltex manages its environmental regulations and performance are outlined below in 'Environmental regulations'.</li> </ul>
<b>Demand for Caltex's Products</b>	<p>Caltex's operating and financial performance is influenced by a variety of general economic and business conditions beyond Caltex's control, including:</p> <ul style="list-style-type: none"> <li>economic growth and development, the level of inflation, and government fiscal, monetary and regulatory policies;</li> <li>in the event of a global or a local economic downturn, demand for Caltex's products and services may be reduced; and</li> <li>advances in automotive technologies including fuel efficiency improvements as well as technology substitution to hybrids, electric vehicles and fuel cell electric vehicles...</li> </ul> <p>... all of which may operate to impact Caltex's financial performance.</p>	<ul style="list-style-type: none"> <li>To manage these risks, Caltex has implemented key initiatives to reduce costs, improve operating efficiencies and encourage sustainable performance within Caltex.</li> <li>These initiatives include the implementation of organisational restructuring, geographic diversification, and the allocation of capital expenditure to those businesses with the potential to deliver strong earnings growth.</li> </ul>
<b>Labour Shortages and Industrial Disputes</b>	<p>There is a risk that Caltex may not be able to acquire, deploy or retain the necessary labour for operations and development projects. This may disrupt operations or lead to financial loss.</p>	<p>Caltex aims to be an employer of choice; it has in place and actively manages its employee agreements and it monitors the external labour markets as well as its internal employee retention data.</p>
<b>Credit Risk</b>	<ul style="list-style-type: none"> <li>Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. Primary credit exposure relates to trade receivables.</li> </ul>	<ul style="list-style-type: none"> <li>Caltex has a Board approved credit policy and a process for the management and diversification of the credit risk to Caltex.</li> <li>The credit quality of Caltex's customers is consistently monitored to identify any potential adverse changes in the credit risk of the customers.</li> <li>Caltex minimises concentrations of credit risk by undertaking transactions with a large number of customers across a variety of industries and networks.</li> <li>Security is required to be supplied by certain groups of Caltex customers to minimise risk.</li> </ul>

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**Key areas of materiality Risks**
**Climate Change and Sustainability**

- The physical and transitional risks associated with climate change may affect our ability to deliver shareholder value. The most significant risks currently identified include reduced demand for petroleum products due to technology developments, changing consumer preferences and market conditions, introduction of carbon policies and regulatory burden and supply disruptions.

**Monitor and manage risk**

- The Board oversees our sustainability approach, with the Board's Safety and Sustainability Committee assisting with governance and monitoring as reflected in the Committee's Charter.
- Caltex focuses on building resilience to the transitional and physical risks posed by climate change including undertaking scenario analysis, supporting the use of renewable energy sources and low carbon products, reducing the carbon intensity of our operations, undertaking external engagement and advocacy and improving transparency and reporting.
- Caltex supports the recommendations of the Task Force on Climate-related Financial Disclosures and have developed an implementation plan to ensure full alignment by 2021. For further information, refer to the 2018 Sustainability Report due for release on 28 March 2019.

**Regulatory Risks**

- 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 and licence conditions could materially impact Caltex's operations, assets, contracts, profitability and prospects. Some examples of potentially impactful legislative changes include amendments to the *Fair Work Act* (Cth), specifically the protecting vulnerable workers amendments; the modern slavery laws; environmental law reforms; and potentially *Work Health and Safety Act* reforms.
- Caltex applies strict operating standards, policies, procedures and training to ensure that it remains in compliance with its various permits, licences, approvals and authorities.
  - Additionally, Caltex proactively manages regulatory risks through a combination of vigilance regarding current regulations, contact with relevant bodies/agencies and working in partnership with various stakeholders to reduce the likelihood of significant incidents that could impact Caltex and/or the communities in which it operates.
  - Caltex engages with regulatory bodies and industry associations to keep abreast of changes to laws.
  - Caltex has in place a stakeholder engagement plan that is actively managed to mitigate the impact from major policy changes.
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## Directors' Report

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### Events subsequent to the end of the year

On 20 February 2019, the Group announced changes to its senior leadership team. Richard Pearson will leave the role of Executive General Manager, Convenience Retail, in March 2019. Caltex announced that Joanne Taylor will then be appointed as the Executive General Manager, Convenience Retail.

On 26 February 2019, the Group announced its intention to conduct an off-market share buy-back of approximately \$260 million, which is expected to be completed in the second quarter of 2019.

There were no items, transactions or events of a material or unusual nature that are likely to significantly affect the operations of Caltex, the results of those operations or the state of affairs of the Group subsequent to 31 December 2018.

### Environmental regulations

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

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

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

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

In 2018, Caltex made its tenth submission under the National Greenhouse and Energy Reporting Scheme, reporting energy consumption and production as well as greenhouse gas emissions from Group operations. Caltex also continued to disclose information on emissions under the National Pollutant Inventory. Caltex continues to remain a signatory to the Australian Packaging Covenant.

### Compliance with environmental regulations

In 2018, companies in the Caltex Group held 18 environmental protection licences relating to the Lytton refinery, nine terminals, one aviation refuelling facility, a lubricants manufacturing facility, a bulk shipping facility, four depots (under two licences) and three service stations.

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

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

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

The business had no environmental infringements in 2018.

### Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 70 and forms part of the Directors' Report for the financial year ended 31 December 2018.

## 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 2018.

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 and CEO).

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

#### Current Non-executive Directors

Steven Gregg	Chairman and Independent, Non-executive Director
Trevor Bourne	Independent, Non-executive Director
Mark Chellew	Independent, Non-executive Director (appointed 2 April 2018)
Melinda Conrad	Independent, Non-executive Director
Bruce Morgan	Independent, Non-executive Director
Barbara Ward AM	Independent, Non-executive Director
Penny Winn	Independent, Non-executive Director

#### Current Senior Executives

Julian Segal	MD and CEO
Simon Hepworth <sup>(i)</sup>	Chief Financial Officer
Richard Pearson <sup>(ii)</sup>	Executive General Manager, Convenience Retail
Louise Warner	Executive General Manager, Fuels and Infrastructure

Note:

- (i) Mr Hepworth has announced he intends to retire in mid-2019. Matthew Halliday will assume the position of Chief Financial Officer from 15 April 2019, with Mr Hepworth working with Mr Halliday for a transition period.
- (ii) On 20 February 2019, the Group announced changes to its senior leadership team. Richard Pearson will leave the role of Executive General Manager, Convenience Retail, in March 2019. Caltex announced that Joanne Taylor will then be appointed as the Executive General Manager, Convenience Retail.

#### 1b. Senior Executive remuneration outcomes in 2018

Remuneration element	Outcome
MD and CEO remuneration	There were no changes to the fixed remuneration of the MD and CEO remuneration package in 2018. The MD and CEO's target STI opportunity increased from 60% to 70% of base salary and stretch STI opportunity increased proportionally to 140%.
Other Senior Executive remuneration increase	No Senior Executive, aside from the EGM Fuels and Infrastructure received a salary increase in 2018. The EGM Fuels and Infrastructure received a fixed remuneration increase of 13.8%. This increase reflects enhanced capability within the role, ensures scope and responsibilities between roles are appropriately rewarded and seeks to address relativities between Senior Executives.
STI	RCOP NPAT performance in 2018 was 88.9% of target and the average 2018 STI award for Senior Executives was 87.9% of target. The outcome continues to demonstrate the strong alignment between STI payments and profit achieved.
LTI	The 2015 LTI grant had a performance period from 1 January 2015 to 31 December 2017 and vested in April 2018. This grant was subject to the achievement of relative TSR against S&P/ASX 100 companies (75%), and a strategic profit growth measure (25%). Over the 2015 to 2017 performance period, when averaged for TSR purposes, Caltex's share price increased from \$31.08 to \$34.00 and its TSR was 31.2%. This placed Caltex at the 32nd percentile against S&P/ASX 100 companies, resulting in no vesting for the TSR portion of the 2015 LTI grant. The Board determined that the Company performed very well against the strategic growth measures due to strong profit growth in step-out ventures in Ampol. As a result, 22.38% of the 2015 grant vested on 1 April 2018 and the remaining 77.62% lapsed. There was no clawback during 2018.

## Directors' Report

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### Remuneration Report continued

#### 1. Remuneration snapshot continued

##### 1c. Summary of 2018 Non-executive Director fees

Non-executive Director fees are fixed and do not have any variable components. The Chairman receives a fee for chairing the Caltex Board and is not paid any other fees. Other Non-executive Directors receive a base fee and additional fees for each additional Committee chairmanship and membership, except for the Nomination Committee where no additional fee is paid.

Non-executive Director base fees increased by 2% in 2018, after no increases in 2017. Audit and Human Resources Committee Chairs also received a \$10,000 increase in Chair fees, with the Safety and Sustainability Chair receiving a \$4,000 increase. All Committee membership fees increased by \$2,000, aside from the Nomination Committee for which no fees are paid.

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

Fees paid to Non-executive Directors are subject to a maximum annual Non-executive Director fee pool of \$2.5 million (including superannuation). This fee pool was approved by shareholders at the 2016 AGM and was not increased at the 2018 AGM.

See sections 4a and 4b for further detail.

##### 1d. Outlook for FY19 (unaudited)

Key issues and changes to remuneration arrangements in FY19 are outlined below:

Change	Commentary
MD and CEO remuneration	The Board determined that it would again freeze the fixed remuneration of the MD and CEO for 2019, and there are no changes to his remuneration. The MD and CEO last received a fixed remuneration increase in April 2015.
Senior Executive remuneration	No Senior Executive, aside from the EGM Fuels and Infrastructure, will receive a salary increase in 2019. The EGM Fuels and Infrastructure will receive a fixed remuneration increase of 6% which is aligned with market and reflects a strong 2018 performance by the Fuels and Infrastructure business unit.
LTI	See section 3d for further detail on the performance of the 2016 LTI award which vests in April 2019.
Non-executive Director fees	Non-executive Director fees will not change in 2019 with the exception of an increase to the Safety and Sustainability Chair fees of \$6,000 bringing its fee into line with other Committee Chair fees.
Non-executive Director fee pool	There will be no change to the Non-executive Director fee pool for 2019.

#### 2. Oversight and external advice

##### 2a. Board and Human Resources Committee

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

The Human Resources Committee assists the Board to fulfil its corporate governance and oversight responsibilities in relation to Caltex's remuneration framework, incentive plans, succession planning, remuneration and diversity and inclusion disclosures, including setting the measurable objectives for achieving diversity and inclusion. It also reviews, on an annual basis, progress made towards achieving these objectives.

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

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

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

## 2b. External advice

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

During 2018, 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 and 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. No 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 \$39,326 excluding GST. Aon Hewitt also provided additional services (Finance and HR related) to Caltex over 2018. The fee for these additional services was \$28,950 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 Company's key measure of success. The guiding philosophy for how Caltex rewards Senior Executives and all other employees is outlined below:

Guiding philosophy	Commentary
Alignment with shareholders' interests	<p>The payment of short-term incentives is dependent upon achieving financial and non-financial performance measures that are aligned with shareholders' interests. Long-term incentives are aligned with the Company's key measure of success (Total Shareholder Return) and focuses Executives on long-term decision-making using Return on Capital Employed (ROCE) as the secondary measure (from 2019).</p> <p>Share retention arrangements within the LTI scheme require all Executives to build up and maintain shareholdings to encourage further alignment with Caltex shareholders.</p> <p><i>Further detail on these measures is outlined in section 3d.</i></p>
Performance focused and differentiated	<p>The Company's reward, performance planning and review systems are closely integrated to maintain a strong emphasis and accountability for performance at the Company, department and individual levels. Rewards are differentiated to incentivise and reward superior performance.</p>
Market competitive	<p>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.</p>
Ensure gender equity in remuneration outcomes	<p>Remuneration is reviewed to remove gender-based pay differences on a like-for-like job level basis.</p>

#### Market positioning and peer groups

The Company's remuneration philosophy is to position fixed remuneration at the median of a customised peer group of companies, with total remuneration able to reach the upper quartile for outstanding performance. For 2018, the customised peer group consisted of 20 companies that are broadly of comparable size and complexity and which the Board considers to be leading competitors for capital and people.

The Board recognises that external stakeholders often assess pay reasonableness against a pure market capitalisation peer group. Due to this, in making pay decisions, the Board also considers pay positioning against a secondary peer group.

This secondary peer group consists of 20 companies (10 with a market capitalisation directly above, and 10 with a market capitalisation directly below, that of Caltex). Externally managed trusts and overseas domiciled companies are excluded.

#### Remuneration structure

Our Senior Executive remuneration structure consists of:

- 1. Fixed remuneration** – this comprises base salary, non-monetary benefits and superannuation. Superannuation is payable at a rate of 9.5% of base salary and on any cash short-term incentive payments. 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 short-term incentive (only payable if a RCOP NPAT gateway of 80% is met) and equity-based incentives awarded upon the achievement of financial and non-financial performance measures. Superannuation is also paid on any short-term incentive payments.

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

## Directors' Report

CONTINUED

### Remuneration Report continued

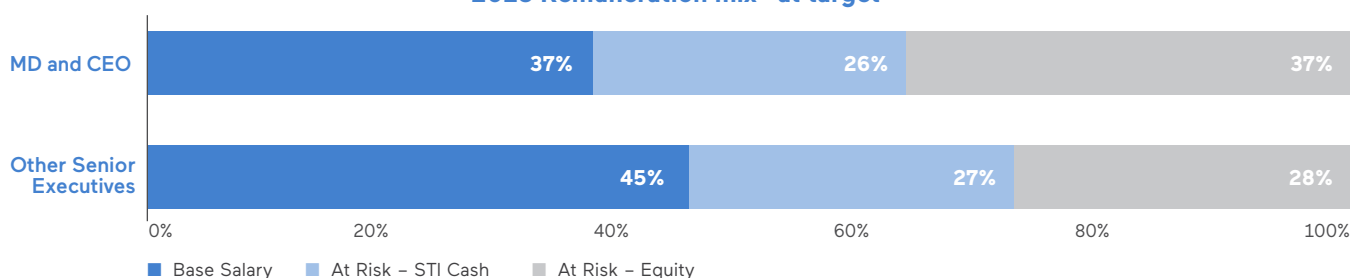
#### 3. Senior Executive remuneration continued

##### 3b. Remuneration mix

The 'at target' remuneration mix for Senior Executives is outlined below.

The remuneration mix is skewed towards variable pay to better align Executive pay and performance, and within the variable pay components, the mix is skewed towards the long-term incentive. External advisers have confirmed 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.

2018 Remuneration mix "at target"



Notes:

- 'At target' performance in the remuneration mix for 'Other Senior Executives' reflects a STI target of 60% of base salary for Mr Hepworth, Mr Pearson and Ms Warner.
- 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, with the profit growth and strategic convenience retail measure 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 and 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.

#### 3c. Performance based 'at risk' remuneration – 2018 STI Plan

<b>Plan</b>	STI awards are made under the Rewarding Results Plan.
<b>Plan rationale</b>	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.
<b>Performance period</b>	The performance period is for 12 months ending 31 December 2018.
<b>2018 target and maximum stretch opportunity levels</b>	MD and CEO – the target STI opportunity is 70% of base salary and the maximum stretch STI opportunity is 140% of base salary. Other Senior Executives – the target STI opportunity is 60% of base salary and the maximum stretch STI opportunity is 120% of base salary.
<b>Financial gateway</b>	RCOP NPAT performance, including the cost of incentives, needs to be at least at 80% of target before any short-term incentives are payable.
<b>Use of discretion</b>	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 2018, the Board determined that RCOP NPAT would be adjusted for two items in the financial statements that are classified as significant items, specifically the Kitchen Food Co expense write-off would be included and the Franchisee Employee Assistance Fund write-back excluded for incentive purposes. Accordingly, the adjusted RCOP NPAT to be used for incentive purposes is \$538 million.
<b>Payment vehicle</b>	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.
<b>Payment frequency</b>	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 2018

Performance measures for 2018 were derived from the business plan in line with the Company direction set by the Board. The Board approved the 2018 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 and CEO, and the MD and CEO's performance objectives are approved by the Board.



### Senior Executive performance objectives and outcomes

The table below outlines the common performance objectives that applied to all the Senior Executives over 2018. These measures accounted for between 50% and 55% of the Senior Executives' scorecards. The remaining 45-50% of performance objectives were customised to the Executive's remit. Such objectives included delivery of specific strategic growth projects/ milestones, achievement of divisional EBIT targets, and achievement of key retail development targets. For the MD and CEO's scorecard, the additional objectives included Fuels and Infrastructure strategic objectives (15%, focusing on growth in profitable fuels volume and profitable M&A ventures), Convenience Retail strategic objectives (15%, focusing on Retail EBIT, the Franchisee transition project, and Convenience Development growth metrics) and a People Capability objective (10%, with Succession, Capability and Diversity targets). Actual performance against the common objectives has 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 – Fuels and Infrastructure	Performance is measured based on the total treatable injury frequency rate (TTIFR)	5-7.5%		✓				In FY 2018 the F&I personal safety performance as measured by Total Recordable Injury Frequency Rate (TRIFR) was 7.71 which historically (based upon the last five years) is a solid result and represents an improvement of 6% over the previous year. The Days Away from Work Injury Frequency Rate (DAFWIFR, formerly known as the lost time injury frequency rate) at 1.45 is down from 2.21 in 2017.
Personal safety – Convenience Retail	Performance is measured based on the total treatable injury frequency rate (TTIFR)	5%	✓					Personal Safety results in Convenience Retail did not meet the threshold performance with a 2018 TRIFR achieved of 10.43. The majority of the incidents involved slips, trips and falls and less significant muscular skeletal injuries arising from employees' duties. Several key initiatives have been rolled out or are being developed to address personal safety performance in Convenience Retail.
Process safety (assessed at company or business unit level)	Performance is measured based on the number of spills	5-7.5%			✓			2018 spill and process safety results represented a very strong result for Caltex. There were no major spills or marine spills and four recordable spills. This compares with nine recordable spills in 2017. A similar positive trend is observable in Tier 1 and Tier 2 process safety incidents.
RCOP NPAT	See explanation of RCOP NPAT below	40%		✓				The 2018 RCOP NPAT result was below a challenging target for 2018. Despite strong results from our expanded international F&I business, growth in Australian wholesale sales volume, and the retention of fuel supply to the Woolworths network, our profit was impacted by weakness in regional refining margins.
Free cash flow (FCF)	FCF excluding growth capital expenditure and dividends	5%		✓				Free cash flow results were between threshold and target for 2018.

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.

## Directors' Report

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### Remuneration Report continued

#### 3. Senior Executive remuneration continued

##### 3c. Performance based 'at risk' remuneration – 2018 STI Plan continued

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

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

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

As a general rule, an increase in crude prices on an AUD basis will create an earnings gain for Caltex (but working capital requirements will also increase). Conversely, a fall in crude prices on an AUD basis will create an earnings 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 generally reflect current prices in Singapore whereas FIFO costing reflects costs some 30 to 45 days earlier. The timing difference creates these inventory gains and losses.

To remove the impact of this factor on earnings and to better reflect the underlying performance of the business, the RCOP NPAT methodology calculates the cost of goods sold on the basis of theoretical new purchases instead of actual costs from inventory. The cost of these theoretical new purchases is calculated as the average monthly cost of cargoes received during the month of those sales. Similarly, where there are sales revenues on a different basis to current month pricing, the revenue is recalculated on current pricing with the resulting pricing lag a component of reported inventory gains and losses.

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

##### 3d. Performance based 'at risk' remuneration – 2018 LTI Plan

<b>Plan</b>	LTI awards are granted under the CEIP.
<b>Plan rationale</b>	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.
<b>LTI instrument</b>	Performance rights are granted by the Company for nil consideration. Each performance right is a right to receive a fully-paid ordinary share at no cost if service-based and performance-based vesting conditions are achieved. Performance rights do not carry voting or dividend rights. The Board may determine to pay Executives the cash value of a share in satisfaction of a vested performance right, instead of providing a share or restricted share. It is expected such discretion will only be exercised in limited cases, typically where the Executive is a 'good leaver' from Caltex, i.e. where the employee ceases employment due to redundancy or retirement.
<b>Allocation methodology</b>	The number of performance rights granted is determined by dividing the maximum opportunity level by the 20-day volume weighted average share price up to the first day of the performance period, discounted by the value of the annual dividend to which the performance rights are not entitled. No discount is applied for the probability of achieving the performance measures.
<b>Performance period</b>	The performance period is three years commencing on 1 January in the year the awards are made. For the 2018 awards, this is the three-year period from 1 January 2018 to 31 December 2020.
<b>2018 target and maximum stretch opportunity levels</b>	The MD and CEO received a grant of performance rights based on a maximum stretch LTI value of 150% of base salary. The target LTI value is 100% of base salary. Other Senior Executive grants were based on a maximum stretch LTI value of 90% of base salary. The target LTI value is 60% of base salary.

**Performance measures** For 2018, the LTI performance measures were relative TSR (weighted at 60%), a Fuels and Infrastructure strategic growth measure (weighted at 20%), and two Convenience Retail measures (each weighted at 10%).

**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 measures – Fuels and Infrastructure**

The 2018 Fuels and Infrastructure growth measure will measure material changes to earnings which result from mergers and acquisitions and step-out ventures. The growth will be measured in annualised RCOP EBIT. The scope of the metric will not include growth in existing business activities. Before this hurdle is assessed, the Board must also be satisfied that an appropriate return on average funds employed gateway has been met for any applicable M&A project.

The Board may exercise discretion regarding both the application of the gateway and in assessing how the profit growth result is measured. This measure was chosen as it reflects the importance of earnings growth outside our core business in achieving Caltex's key success measure of top quartile shareholder returns.

**Strategic growth measures – Convenience Retail**

There are two evenly weighted components to this measure.

One component of this measure is the successful integration of franchisee-operated stores into the Calstores company operation over the three-year period to 31 December 2020. It will be measured by the Board's assessment of several project criteria including:

- the quality of teamwork, stakeholder management (including the fair and equitable treatment of franchisees and their employees), communications and change management;
- delivery of project milestones on time; and
- any material changes in circumstances affecting the schedule and costs of the project.

This measure has been chosen due to the major impact that this project will have on the future of the Company's Convenience Retail strategy and the importance the Board places on management ensuring that this project is executed/carried out fairly and equitably with regard to treatment of all the key stakeholders.

The second Convenience Retail measure also has a 10% weighting and will measure the incremental earnings resulting from new format stores, M&A and step-out ventures in the Company's Convenience Retail division. Growth will be measured based on EBIT from sites that have been converted to new Caltex formats or from other new retail business ventures including M&A. When this is assessed, the Board must be satisfied that an appropriate return on average funds employed gateway has been met. This measure was chosen as it reflects the importance of earnings growth in our Convenience Retail division from new format stores, and/or M&A at an appropriate return in the Convenience Retail area, in achieving Caltex's key success measure of top quartile shareholder returns.

For all strategic measures, at threshold performance 33.3% of rights vest, at target 66.66% of rights vest, with 100% of rights vesting requiring a stretch performance level. Pro-rata vesting occurs between these relative vesting levels.

**Disclosure of performance outcomes**

Specific details of the strategic measures have not been disclosed due to commercial sensitivity. However, in the 2020 Remuneration Report, the Board will set out how Caltex performed against these measures. See below in this section for the Board's rationale for the performance outcomes of the LTI awards that were granted in 2016 and that vest in April 2019.

**Shares acquired upon vesting of the performance rights**

Shares to satisfy vested performance rights are usually purchased on market.

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

## Directors' Report

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### Remuneration Report continued

#### 3. Senior Executive remuneration continued

##### 3d. Performance based 'at risk' remuneration – 2018 LTI Plan continued

<b>Share retention arrangements</b>	<p>The share retention arrangements are designed to encourage all Executives to build up and maintain sizeable shareholdings in Caltex for a longer period of time and further align the interests of Caltex Executives and shareholders.</p> <p>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 2025 for the 2018 LTI awards). This effectively extends the life of the LTI plan from three years to seven years. For LTI awards from 2016, retention arrangements may be waived if the Executive can demonstrate he or she holds the equivalent of 100% of their base salary in shares prior to vesting.</p> <p>Based on this policy, if it is assumed that the LTI awards vest at target levels over a period of four years, the MD and CEO and Senior Executives would have theoretical shareholdings of 100% and 60% of their base salary respectively.</p> <p>On ceasing employment, all dealing restrictions on the restricted shares cease to apply, subject to the application of the Clawback Policy.</p>
<b>Clawback Policy</b>	See section 3e for information on the Caltex Clawback Policy.
<b>Termination provisions</b>	<p>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.</p> <p>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.</p>
<b>Change of control provisions</b>	Any unvested performance rights may vest at the Board's discretion, having regard to pro-rated performance.

#### Legacy LTI awards

The 2016 and 2017 LTI awards will vest in April 2019 and April 2020 respectively. The operation of these awards is broadly consistent with the 2018 awards, with a 60% weighting on relative TSR and 40% strategic measures (with the 2017 award having two strategic measures). Further detail on these awards is set out below, including the vesting performance for the 2016 award.

Performance measure	Commentary
Relative TSR – 2017 grant	The operation of the relative TSR measure is the same as that outlined above under the 2018 awards.
Strategic measures	<p><b>Performance measures</b></p> <p>2017:</p> <p>The profit growth strategic measure is based on a profit growth target at the end of 2019 (in reference to 2016) attributable to M&amp;A (core and non-core) and step-out ventures (new products/services/geographies), excluding refining activities (20% weighting). A RoAFE financial gateway applies to the 2017 strategic profit growth measure.</p> <p>The second 2017 strategic hurdle measures the implementation of Caltex's Convenience Retail strategy. The Board will measure this through both quantitative and qualitative metrics, including: the roll-out of new format across the existing and new Calstores network; the average percentage sales uplift per store; and a customer metric, based on improvement in customer feedback using net promoter score methodology (20% weighting).</p> <p><b>Disclosure and performance assessment</b></p> <p>2017: The Board will set out in the 2019 Remuneration Report how Caltex performed against the 2017 measures, including the Board's rationale for the relevant vesting percentage.</p>

### **2016 LTI vesting outcomes**

#### *Relative TSR (60% weighting)*

The operation of the 2016 relative TSR measure was the same as that outlined above under the 2018 awards. Caltex's three-year TSR performance compared to S&P/ASX 100 companies over the period from 1 January 2016 to 31 December 2018 was -16%, placing it at the 8th percentile of the comparator group. As no percentage of this tranche vests unless the Company's TSR performance achieves at least the 50th percentile performance, no portion of the performance rights subject to the relative TSR performance measure will vest on 1 April 2019.

#### *Profit growth (40% weighting)*

The strategic measure is based on a profit growth target at the end of 2018 (in reference to 2015) attributable to M&A (core and non-core) and step-out ventures (new products/services/geographies), excluding refining activities. As at the end of 2018, three ventures have collectively generated NPAT of over \$77 million of profit growth in 2018, the final year of the 2016 to 2018 performance period when compared to that budgeted by Caltex at the start of the performance period.

These three ventures were:

- Acquisition of Gull New Zealand which has driven strong growth in volumes sold and new site growth;
- Investment in SEAOIL which has provided an excellent return on investment, driving new supply opportunities for Ampol; and
- Continued step-out and growth initiatives by Ampol in areas such as freight optimisation, blending optimisation and arbitrage opportunities as well as growth in third party sales.

All three ventures exceeded their RoAFE gateway set out in the applicable business case for the venture; or, where there was no explicit business case, they exceeded the Board's RoAFE target of 15%. This performance will result in 53.05% of this tranche vesting (between threshold and target level of performance) and 21.22% of the overall 2016 LTI award vesting.

### **3e. Clawback Policy**

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

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

1. requiring the Senior Executive to repay some or all 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.

### **3f. Hedging and margin lending policies**

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

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

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

## Directors' Report

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### Remuneration Report continued

#### 3. Senior Executive remuneration continued

##### 3g. Senior Executive remuneration and service agreements

###### MD and CEO

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

The split between the MD and CEO's 2018 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 <sup>(ii)</sup>	LTI <sup>(iii)</sup>
\$2,248,500 <sup>(i)</sup>	'At target'	'At target' – when TSR is at the 75th percentile of peer companies, and the strategic growth measure has been met at target.
	\$1,503,950 (70% of base salary)	\$2,148,500 (100% of base salary)
	'Stretch'	'Stretch' – when TSR is at the 90th percentile of peer companies and the strategic growth measure has been met at stretch.
	\$3,007,900 (140% of base salary)	\$3,222,750 (150% of base salary)

Notes:

(i) The MD and CEO's fixed remuneration was unchanged during the 2018 remuneration review.

(ii) In 2018 the MD and CEO's STI target increased from 60% of base salary to 70% of base salary.

(iii) Share retention arrangements have been implemented to encourage share retention and promote alignment with shareholders over the longer term.

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

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

#### Other Senior Executives

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

The other Senior Executives of Caltex are appointed as permanent Caltex employees. Their employment contracts require both Caltex and the Executive to give a notice period within a range of three and six months as stipulated by their individual contracts should they resign or have their service terminated by Caltex. The terms and conditions of the Executive contracts reflect market conditions at the time of the contract negotiation and appointment.

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

Table 2. Summary of Service Agreements for other Senior Executives

	Termination on notice (by the Company)	Resignation (by the Senior Executive)
Simon Hepworth	3 months	3 months
Richard Pearson	6 months	6 months
Louise Warner	6 months	6 months

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

### 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 2018 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 2014 to 2018 together with the linkage to actual STI and LTI outcomes.

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

Summary of performance over 2014-18	2018	2017	2016	2015	2014
12 month TSR % <sup>(i)</sup>	-21.7	11.8	-16.4	13.6	74.1
Dividends (cents per share)	118c	121c	102c	117c	70c
Share price <sup>(ii)</sup>	\$25.48	34.05	30.46	\$37.70	\$34.21
RCOP excluding significant items earnings per share	\$2.06	\$2.38	\$2.01	\$2.33	\$1.83
RCOP NPAT excluding significant items (million) <sup>(iii)</sup>	\$538	\$621	\$524	\$628	\$493
Caltex Safety – TRIFR <sup>(iv)</sup>	8.29	5.2	5.57	5.95	5.6
Caltex Safety – DAFWIFR <sup>(v)</sup>	1.95	1.36	1.73	2.85	4.61

#### Link to remuneration

STI – percentage of business plan RCOP NPAT target achieved	89%	119%	87%	134%	125%
STI – funding of STI pool (relative to target)	101%	128%	100%	141%	127%
LTI – percentage vesting three years after grant date					
Year of grant	2016	2015	2014	2013	2012
Percentage of grant vesting	21.22%	22.38%	84.78%	80.49%	88.9%

#### Notes:

- 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.
- The price quoted is the trading price for the last day of trading (31 December) in each calendar year.
- 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. For 2018, this RCOP NPAT figure has been adjusted for incentive purposes and is different from the RCOP NPAT figure reported in the financial statements.
- Total Recordable Injury Frequency Rate. Caltex changed its safety definitions in 2017 in line with Industry Standards (IOGP) and other ASX companies. Historic figures have been updated to provide comparative performance based on the new definitions.
- Days Away from Work Injury Frequency Rate (DAFWIFR). The total number of occupational injuries resulting in 'Days Away From Work' as certified by a physician during a nominated reporting period per 1,000,000 hours worked for a nominated reporting period. Caltex changed its definitions in 2017 in line with Industry Standards (IOGP) and other ASX companies. Historic figures have been updated to provide comparative performance based on the new definitions.

## Directors' Report

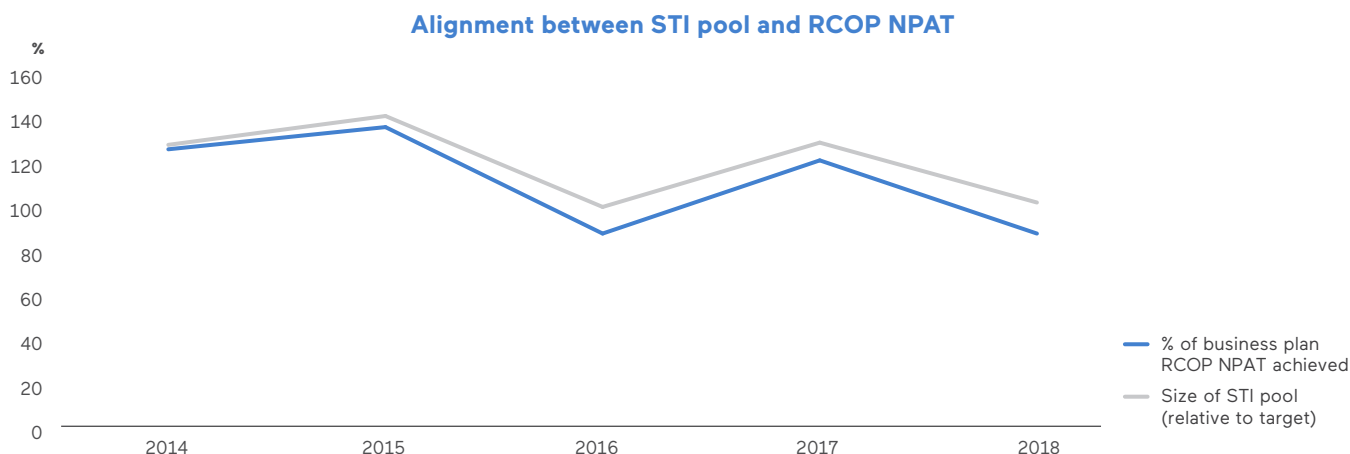
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### Remuneration Report continued

#### 3. Senior Executive remuneration continued

##### 3h. Link between Company performance and Executive remuneration continued

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



#### 2016 LTI vesting outcomes and the link to Company performance

The vesting outcomes for the 2016 awards are set out above in section 3d.

#### 3i. Remuneration tables

##### Table 4a. Total remuneration earned by Senior Executives in 2018 (unaudited, non-statutory disclosures)

The following table sets out the actual remuneration earned by Senior Executives in 2018. The value of remuneration includes the equity grants where the Senior Executive received control of the shares in 2018.

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 2018.

	Salary and fees <sup>(i)</sup>	Other remuneration <sup>(ii)</sup>	Bonus (short-term incentive)	LTI vested during the year <sup>(iii)</sup>	Remuneration 'earned' for 2018 <sup>(iv)</sup>
<b>Executive Director</b>					
Julian Segal (Managing Director and CEO) <sup>(v)</sup>					
<b>2018</b>	<b>2,223,500</b>	<b>185,069</b>	<b>1,237,751</b>	<b>712,260</b>	<b>4,358,580</b>
<b>Senior Executives</b>					
Simon Hepworth (Chief Financial Officer)					
<b>2018</b>	<b>874,891</b>	<b>160,715</b>	<b>429,840</b>	<b>165,803</b>	<b>1,631,249</b>
Richard Pearson (Executive General Manager, Convenience Retail) <sup>(v)</sup>					
<b>2018</b>	<b>928,507</b>	<b>151,200</b>	<b>495,023</b>	<b>-</b>	<b>1,574,730</b>
Louise Warner (Executive General Manager, Fuels and Infrastructure) <sup>(v)</sup>					
<b>2018</b>	<b>901,937</b>	<b>92,966</b>	<b>472,725</b>	<b>45,810</b>	<b>1,513,438</b>
<b>Total remuneration: Senior Executives</b>					
<b>2018</b>	<b>4,928,835</b>	<b>589,950</b>	<b>2,635,339</b>	<b>923,873</b>	<b>9,077,997</b>

#### Notes:

- (i) Salary and fees comprise base salary and cash payments in lieu of employer superannuation (on 2018 base salary and/or on STI payments made in respect of the 2017 performance year paid in 2018).
- (ii) 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.
- (iii) This refers to cash and equity-based plans from prior years that have vested in the current year. The value is calculated using the closing share price of Company shares on the first trading day after the vesting date. The 2018 LTI figures reflect that no portion of the relative TSR tranche rights granted in 2015 vested. Ms Warner's 2015 LTI award was cash-based as it was granted while she led Caltex's Ampol Singapore business.
- (iv) This refers to the total value of remuneration earned during 2018, being the sum of the prior columns.
- (v) 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.



Table 4b. Total remuneration for Senior Executives in 2018 (statutory disclosures)

The following table sets out the audited total remuneration for Senior Executives in 2017 and 2018, calculated in accordance with statutory accounting requirements:

	Primary		Non-monetary benefits <sup>(ii)</sup>	Post employment	Other long term	Equity		Total
	Salary and fees <sup>(i)</sup>	Bonus (short-term incentive)		Super-annuation	Other <sup>(iii)</sup>	Share benefits (long-term incentive)	Rights benefits (long-term incentive) <sup>(iv)</sup>	
Julian Segal (Managing Director and CEO) <sup>(v)</sup>								
<b>2018</b>	<b>2,314,380</b>	<b>1,237,751</b>	<b>15,487</b>	<b>25,000</b>	<b>53,702</b>	<b>-</b>	<b>1,566,899</b>	<b>5,213,219</b>
2017	2,363,951	1,516,575	14,975	25,000	53,702	-	2,207,345	6,181,548
Simon Hepworth (Chief Financial Officer)								
<b>2018</b>	<b>857,586</b>	<b>429,840</b>	<b>20,542</b>	<b>134,981</b>	<b>22,496</b>	<b>-</b>	<b>352,339</b>	<b>1,817,784</b>
2017	833,339	520,848	26,272	129,177	22,530	-	497,478	2,029,644
Louise Warner (Executive General Manager, Fuels and Infrastructure) <sup>(v)</sup>								
<b>2018</b>	<b>936,834</b>	<b>472,725</b>	<b>17,158</b>	<b>20,290</b>	<b>20,621</b>	<b>-</b>	<b>240,603</b>	<b>1,708,231</b>
2017	818,202	444,796	15,885	19,832	17,322	-	220,022	1,536,059
Richard Pearson (Executive General Manager, Convenience Retail) <sup>(v),(vi)</sup>								
<b>2018</b>	<b>975,882</b>	<b>495,023</b>	<b>59,749</b>	<b>22,205</b>	<b>21,871</b>	<b>-</b>	<b>262,775</b>	<b>1,837,505</b>
2017	381,212	226,392	24,035	34,635	9,152	-	119,964	795,390
Total remuneration: Senior Executives								
<b>2018</b>	<b>5,084,682</b>	<b>2,635,339</b>	<b>112,936</b>	<b>202,476</b>	<b>118,690</b>	<b>-</b>	<b>2,422,616</b>	<b>10,576,739</b>
2017	4,396,704	2,708,611	81,167	208,644	102,706	-	3,044,809	10,542,641

Notes:

- (i) Salary and fees include base salary and cash payments in lieu of employer superannuation. For 2018, the cash payments in lieu of employer superannuation are on 2018 base salary and/or on STI payments made in respect of the 2017 performance year paid in 2018. These figures also include any leave accruals for Senior Executives.
- (ii) The non-monetary benefits received by Senior Executives include car parking benefits, employee StarCard benefits, the payment of the default premiums for death and total and permanent disability insurance cover and related fringe benefits tax payments made by Caltex.
- (iii) Other long-term remuneration represents the long service leave for all Senior Executives.
- (iv) 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.
- (v) 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.
- (vi) Mr Pearson commenced employment on 1 August 2017 and his 2017 remuneration is disclosed from this date.

## Directors' Report

CONTINUED

### Remuneration Report continued

#### 3. Senior Executive remuneration continued

##### 3i. Remuneration tables continued

Table 5. 2018 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 2018 <sup>(i)</sup>	Granted in 2018 <sup>(ii)</sup>	Vested in 2018 <sup>(iii)</sup>	Lapsed in 2018 <sup>(iv)</sup>	Balance at 31 December 2018
Julian Segal	324,017	103,890	(22,669)	(78,643)	326,595
Simon Hepworth	78,344	26,110	(5,277)	(18,307)	80,870
Louise Warner	37,951	23,935	(1,458)	(5,058)	55,370
Richard Pearson	26,325	25,385	-	-	51,710

Notes:

- (i) This relates to the 2015, 2016 and 2017 performance rights. If the service-based and performance-based vesting conditions are achieved, the 2016 and 2017 performance rights will vest in 2019 and 2020 respectively.
- (ii) This relates to the 2018 performance rights. If the service-based and performance-based vesting conditions are achieved, these performance rights will vest in 2021.
- (iii) This relates to the 2015 performance rights of which 22.38% vested. Senior Executives received one Caltex share for each right that vested (aside from Ms Warner as her 2015 LTI award was cash-based as it was granted while she led Caltex's Ampol Singapore business).
- (iv) This relates to the 2015 performance rights of which 77.62% lapsed.

Table 6. Valuation assumptions of performance rights granted

The fair value of performance rights granted under the CEIP is determined independently by Ernst & Young and Deloitte (from 2018) using an appropriate numerical pricing model. The model takes into account a range of assumptions and the fair values for each year of grant have been calculated incorporating the assumptions below.

	2018 grant <sup>(i),(ii)</sup>		2017 grant <sup>(i)</sup>		2016 grant <sup>(i)</sup>	
	Relative TSR against S&P/ASX 100	Strategic measures	Relative TSR against S&P/ASX 100	Strategic measure	Relative TSR against S&P/ASX 100	FCF and strategic measure
Grant date	4 April 2018/ 18 May 2018	4 April 2018/ 18 May 2018	4 April 2017/ 12 May 2017	4 April 2017/ 12 May 2017	4 April 2016/ 13 May 2016	4 April 2016/ 13 May 2016
Vesting date	1 April 2021	1 April 2021	1 April 2020	1 April 2020	1 April 2019	1 April 2019
Exercise price	Nil	Nil	Nil	Nil	Nil	Nil
Volatility	23%/22%	23%/22%	23%	23%	26%	26%
Risk-free interest rate	2.18%/2.27%	2.18%/2.27%	1.87%/1.82%	1.87%/1.82%	1.88%/1.58%	1.88%/1.58%
Dividend yield	3.6%/3.9%	3.6%/3.9%	3.6%	3.6%	3.3%/2.8%	3.3%/2.8%
Expected life (years)	3.0/2.9 years	3.0/2.9 years	3.0/2.9 years	3.0/2.9 years	3.0/2.9 years	3.0/2.9 years
Share price at grant date	\$31.42/\$30.81	\$31.42/\$30.81	\$29.39/\$32.68	\$29.39/\$32.68	\$33.86/\$34.20	\$33.86/\$34.20
Valuation per right	\$11.88/\$9.74	\$28.24/\$27.53	\$10.76/\$14.50	\$26.39/\$29.45	\$13.34/\$12.43	\$30.68/\$31.55

Notes:

- (i) Market performance measures, such as relative TSR, must be incorporated into the option-pricing model valuation used for the CEIP performance rights, which is reflected in the valuation per performance right. Non-market vesting conditions such as 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.
- (ii) In 2018, two separate major awards of CEIP performance grants were made. Executive awards, excluding the MD & CEO, were made on 4 April 2018. The MD and CEO's award was made on 18 May 2018 after shareholder approval for the award was obtained at the 2018 AGM held on 10 May 2018. The terms of all 2018 awards, including all performance hurdles and vesting conditions are the same.

*Table 7. Mix of fixed and variable remuneration based on 2018 statutory remuneration table*

The proportion of each Senior Executive's remuneration for 2018 that was fixed, and the proportion that was subject to a performance measure, are outlined below. The percentages are based on the 2018 statutory remuneration disclosures in table 4b (including the LTI values which are determined in accordance with accounting standards), and do not correspond to the target remuneration percentages outlined earlier in this report in section 3b.

	Fixed	Variable (including short-term and long-term incentive payments)
Julian Segal	46%	54%
Simon Hepworth	57%	43%
Richard Pearson	59%	41%
Louise Warner	58%	42%

*Table 8. FY18 STI outcomes*

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

Senior Executives	2018	2017
Julian Segal	41%	59%
Simon Hepworth	40%	58%
Richard Pearson	47%	62%
Louise Warner	48%	63%
<b>Average<sup>(i)</sup></b>	<b>44%</b>	<b>60%</b>

Notes:

(i) This is the average for those KMP who were eligible to receive an STI payment in this year.

#### 4. Non-executive Director fees

##### 4a. Our approach to Non-executive Director fees

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

Under the Caltex Constitution and the ASX Listing Rules, the total annual fee pool for Non-executive Directors is determined by shareholders. Within this aggregate amount, Non-executive Director fees are reviewed by the Human Resources Committee, 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 expertise and diversity. 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 Non-executive Directors do not participate in any Caltex incentive or retirement plan.

## Directors' Report

CONTINUED

### Remuneration Report continued

#### 4. Non-executive Director fees continued

##### 4b. Board and Committee fees for 2018

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

Table 9. 2018 Non-executive Director fees

The table below outlines the 2018 Non-executive Director fees.

	Board		Committees <sup>(i)</sup>	
	Chairman	Member	Committee Chairman <sup>(iii)</sup>	Member
2018 fee <sup>(ii)</sup>	\$502,207	\$167,402	\$46,000/ \$40,000	\$20,000

Notes:

- (i) Comprising the Audit Committee, Human Resources Committee, and Safety and Sustainability Committee. No fees are paid to the Chairman or Members of the Nomination Committee.
- (ii) Caltex paid superannuation of 9.5% for Non-executive Directors in addition to the above fees in 2018.
- (iii) The Audit Committee Chairman and Human Resources Committee Chairman receive \$46,000 and the Safety and Sustainability Committee Chairman received \$40,000.

#### 4c. Remuneration table

Table 10. Non-executive Director fees in 2018 (statutory disclosures)

The following table sets out the audited Non-executive Director fees in 2017 and 2018 calculated in accordance with statutory accounting requirements and which reflect the actual remuneration received during the financial year. Non-executive Directors are not eligible to receive any cash-based or equity-based incentives.

	Primary		Post employment	Other Long-Term	Total
	Salary and fees	Non-monetary benefits	Super-annuation <sup>(i)</sup>	Other	
<b>Current Non-executive Directors</b>					
Steven Gregg (Chairman)					
<b>2018</b>	<b>502,207</b>	<b>247</b>	<b>47,710</b>	<b>-</b>	<b>550,164</b>
2017	299,774	-	28,479	-	328,253
Trevor Bourne					
<b>2018</b>	<b>227,403</b>	<b>487</b>	<b>21,603</b>	<b>-</b>	<b>249,493</b>
2017	218,120	1,061	20,721	-	239,902
Mark Chellew					
<b>2018</b>	<b>125,552</b>	<b>-</b>	<b>11,927</b>	<b>-</b>	<b>137,479</b>
Melinda Conrad					
<b>2018</b>	<b>207,403</b>	<b>96</b>	<b>19,703</b>	<b>-</b>	<b>227,202</b>
2017	158,354	90	15,044	-	173,488
Bruce Morgan					
<b>2018</b>	<b>233,403</b>	<b>1,041</b>	<b>22,173</b>	<b>-</b>	<b>256,617</b>
2017	218,120	899	20,721	-	239,740
Barbara Ward AM					
<b>2018</b>	<b>233,403</b>	<b>215</b>	<b>22,173</b>	<b>-</b>	<b>255,791</b>
2017	218,120	181	20,721	-	239,022
Penny Winn					
<b>2018</b>	<b>207,403</b>	<b>-</b>	<b>19,703</b>	<b>-</b>	<b>227,106</b>
2017	188,707	-	17,927	-	206,634

Note:

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

## 5. Shareholdings of Key Management Personnel

Table 11: 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 2017	Purchased	Vested	Sold	Held at 31 Dec 2018
<b>Directors</b>					
Steven Gregg	-	6,000	-	-	6,000
Trevor Bourne	5,395	1,000	-	-	6,395
Mark Chellew	-	1,400	-	-	1,400
Melinda Conrad	5,000	3,000	-	-	8,000
Bruce Morgan	10,500	-	-	-	10,500
Barbara Ward AM	5,000	1,500	-	-	6,500
Penny Winn	5,911	-	-	-	5,911
<b>Senior Executives</b>					
Julian Segal	302,916	-	22,669	-	325,585
Simon Hepworth	25,484	-	5,277	-	30,761
Richard Pearson	-	-	-	-	-
Louise Warner	469	-	-	-	469

	Held at 31 Dec 2016	Purchased	Vested	Sold	Held at 31 Dec 2017
<b>Directors</b>					
Steven Gregg	-	-	-	-	-
Trevor Bourne	5,395	-	-	-	5,395
Melinda Conrad	-	5,000	-	-	5,000
Bruce Morgan	10,500	-	-	-	10,500
Barbara Ward AM	5,000	-	-	-	5,000
Penny Winn	4,911	1,000	-	-	5,911
<b>Senior Executives</b>					
Julian Segal	222,930	-	137,186	(57,200)	302,916
Simon Hepworth	17,193	-	30,791	(22,500)	25,484
Richard Pearson	-	-	-	-	-
Louise Warner	469	-	-	-	469

## 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 2018 (2017: nil).

### Directors' interests

The Directors' relevant interests in the shares of Caltex Australia Limited at 31 December 2018 are set out in the following table.

Director	Shareholding	Nature of interest
Steven Gregg	6,000 shares	Indirect interest
Julian Segal	325,585 shares	Direct interest (253,212 shares)
	326,595 performance rights	Indirect interest (72,373 shares)
		Mr Segal also has a direct interest in 326,595 performance rights
Trevor Bourne	6,395 shares	Direct interest (3,395 shares)
		Indirect interest (3,000 shares)
Mark Chellew	1,400 shares	Indirect interest
Melinda Conrad	8,000 shares	Indirect interest
Bruce Morgan	10,500 shares	Indirect interest
Barbara Ward AM	6,500 shares	Direct interest
Penny Winn	5,911 shares	Indirect interest

Note:

No Director has acquired or disposed of any relevant interests in the Company's shares in the period from 1 January 2019 to the date of this Annual Report.

## Directors' Report

CONTINUED

### Board and Committee meetings

The Caltex Board met 15 times during the year ended 31 December 2018. In addition, Directors attended Board strategy sessions and workshops, site visits and special purpose committee meetings during the year.

The numbers of Board and Committee meetings attended by each Director during 2018 are set out in the following table:

Director	Board <sup>(i)</sup>		Audit Committee		Human Resources Committee		Nomination Committee		Safety and Sustainability Committee <sup>(v)</sup>	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Current Directors										
Steven Gregg	15	15	-	-	-	-	2	2	-	-
Julian Segal	15	15	-	-	-	-	-	-	-	-
Trevor Bourne	15	15	-	-	3	3	2	2	4	4
Mark Chellew <sup>(iv)</sup>	10	10	-	-	-	-	1	1	-	-
Melinda Conrad	15	15	4	4	-	-	2	2	4	4
Bruce Morgan	15	15	4	4	-	-	2	2	4	4
Barbara Ward AM	15	15	4	4	3	3	2	2	-	-
Penny Winn	15	15	-	-	3	3	2	2	4	4

Notes:

- (i) Includes out of session meetings. Excludes strategy workshops, briefings.
- (ii) All Directors are invited to (and regularly attend) Committee meetings; this table lists attendance only where a Director is a member of the relevant Committee.
- (iii) A number of Directors also participated in Board Committees convened for special purposes.
- (iv) Mark Chellew was appointed 2 April 2018.
- (v) The OHS and Environmental Risk Committee changed its name effective 22 February 2019.

### Shares and interests

The total number of ordinary shares on issue at the date of this report and during 2018 is 261 million shares (2017: 261 million shares). The total number of performance rights on issue at the date of this report is 1,326,933 (2017: 1,178,816). 535,065 performance rights were issued during 2018 (2017: 582,965). 358,978 performance rights vested or lapsed during the year (2017: 369,653). On vesting, Caltex is required to allocate one ordinary share for each performance right. For each right that vests, Caltex intends to purchase a share on market following vesting. No new shares were issued as a result of the vesting of performance rights during 2018.

### Non-audit services

KPMG is the external auditor.

In 2018, KPMG performed non-audit services for Caltex in addition to its statutory audit and review engagements for the full year and half year.

KPMG received or was due to receive the following amounts for services performed for Caltex during the year ended 31 December 2018:

- for non-audit services – total fees of \$92,810 (2017: \$265,100); these services included taxation services of \$73,610; and other assurance services \$19,200
- for audit services – total fees of \$1,354,800 (2017: \$1,079,200).

The Board has received a written advice from the Audit Committee in relation to the independence of KPMG, as external auditor, for 2018. The advice was made in accordance with a resolution of the Audit Committee.

The Directors are satisfied that:

- the provision of non-audit services to the Caltex Group during the year ended 31 December 2018 by KPMG is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001* (Cth); and
- the provision of non-audit services during the year ended 31 December 2018 by KPMG did not compromise the auditor independence requirements of the *Corporations Act 2001* (Cth) for the following reasons:
  - the provision of non-audit services in 2018 was consistent with the Board's policy on the provision of services by the external auditor;
  - the non-audit services provided in 2018 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 2018 that would impair the impartial and objective judgement of KPMG as external auditor.

## Company Secretaries

The following persons are current and former Company Secretaries of Caltex and the Caltex Group as at the date of this report.

### Lyndall Stoyles

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

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

### Kara Nicholls

Ms Nicholls was appointed as Company Secretary in August 2016. Ms Nicholls has over 20 years' experience across global equity capital markets including wide-ranging commercial and corporate compliance involvement. She brings extensive knowledge of the Australian Securities Exchange listing rules, corporate governance and company compliance and administration to the Board. Prior to joining Caltex, she held roles with Woolworths Limited, Arrium Limited, Macquarie Group Limited and the Australian Securities Exchange Limited.

She is Chairman of the Gidget Foundation Australia and a member of the Governance Institute of Australia's Legislative Review Committee.

She is a Chartered Secretary, JP, Fellow of the Governance Institute of Australia, Member of the Australian Institute of Company Directors and holds a Bachelor of Business and Master of Legal Studies from the University of Technology Sydney.

Ms Nicholls resigned as Company Secretary in November 2018.

## Indemnity and insurance

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

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

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

## Rounding of amounts

Caltex is an entity to which Australian Securities and Investments Commission (ASIC) Class Order 2016/191 applies. Amounts in the 2018 Directors' Report and the 2018 Financial Report have been rounded off to the nearest thousand dollars (unless otherwise stated) in accordance with CO2016/191.

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



**Steven Gregg**  
Chairman



**Julian Segal**  
Managing Director & CEO

Sydney, 26 February 2019

## Lead Auditor's Independence Declaration

UNDER SECTION 307C OF THE *CORPORATIONS ACT 2001*



To the Directors of Caltex Australia Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Caltex Australia Limited for the financial year ended 31 December 2018 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.

A handwritten signature of the KPMG representative, appearing as 'KPMG' in a stylized, cursive script.

KPMG

A handwritten signature of Julian McPherson, appearing as 'Julian McPherson' in a cursive script.

**Julian McPherson**

Partner

Sydney

26 February 2019



## Directors' Declaration

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

- a. the financial statements and notes that are contained in pages 75 to 119 and the Remuneration Report set out on pages 51 to 67 are in accordance with the *Corporations Act 2001* (Cth), including
  - i. giving a true and fair view of the Group's financial position as at 31 December 2018 and of its performance for the financial year ended on that date; and
  - ii. complying with Australian Accounting Standards, and the *Corporations Regulations 2001*;
- b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
- c. at the date of this declaration, there are reasonable grounds to believe that the companies in the Caltex Australia Group that are parties to the Deed of Cross Guarantee as identified in Note F1 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the Deed of Cross Guarantee described in Note F1, and
- d. a statement of compliance with International Financial Reporting Standards has been included in Note A to the financial statements for the year ended 31 December 2018.

The Directors have been given the declarations required by section 295A of the *Corporations Act 2001* (Cth) from the Managing Director and CEO and the Chief Financial Officer for the financial year ended 31 December 2018.

Signed in accordance with a resolution of the Directors:



**Steven Gregg**  
Chairman



**Julian Segal**  
Managing Director & CEO

Sydney, 26 February 2019

## Independent Auditor's Report

TO THE SHAREHOLDERS OF CALTEX AUSTRALIA LIMITED



### Report on the audit of the Financial Report

#### Opinion

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

In our opinion, the accompanying **Financial Report** of Caltex Australia Limited is in accordance with the *Corporations Act 2001*, including

- giving a true and fair view of the Group's financial position as at 31 December 2018 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises the:

- consolidated balance sheet as at 31 December 2018;
- consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated cash flow statement for the year then ended;
- notes, including a summary of significant accounting policies; and
- Directors' Declaration.

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

#### Basis for opinion

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

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

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

#### Key Audit Matters

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

- Site remediation and dismantling provisions, and
- Taxation of Singaporean entities.

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

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




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## Site remediation and dismantling provisions (A\$301,136k)

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### Refer to Note C6 to the Financial Report

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#### The key audit matter

The determination of site remediation and dismantling provisions relating to oil refining, distribution and marketing sites, including the Kurnell refinery, following its conversion to an import terminal is considered a key audit matter. This is due to the inherent complexity in estimating future environmental remediation costs, particularly those that are forecast to be incurred several years in the future.

This is influenced by:

- Current environmental and regulatory requirements, and the impact to the completeness of environmental remediation activities incorporated into the provision estimate;
- The expected environmental management strategy, and the nature of costs incorporated into the provision estimate;
- Third party expert advice sought by management regarding their obligations and estimates of future costs;
- Historical experience, and whether this is a reasonable predictor when evaluating forecast costs; and
- The expected timing of the expenditure.

#### How the matter was addressed in our audit

Our audit procedures to critically appraise management's determination of site remediation and dismantling provisions included:

- Comparing the basis for recognition and measurement of remediation provisions for consistency with environmental and regulatory requirements;
  - Obtaining third party expert reports as well as internal and external underlying documentation for management's determination of future required activities, their timing, and associated cost estimations and comparing them to the nature and quantum of costs contained in the provision balance;
  - Assessing the competence, capability and objectivity of the Group's internal and external experts used in the determination of the provision estimate;
  - Testing the accuracy of historical remediation provisions by comparing to actual expenditure. We used this knowledge to challenge management's current cost estimations; and
  - Evaluating the completeness of the provisions through examination of the Group's operating locations, regulatory correspondence and responses from our independent request of the Group's external lawyers for confirmation of relevant matters.
- 

## Taxation of Singaporean entities (A\$65,000k)

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### Refer to Note E1 to the Financial Report

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#### The key audit matter

The determination as to whether the earnings from the Group's Singaporean entities are subject to income tax in Australia under the regime for the taxation of controlled foreign company income is considered a key audit matter. This is due to the judgment required in assessing management's current estimate of taxation, which required senior audit team member and tax specialist involvement. The critical elements of this were:

- The significant uncertainty surrounding the timing of resolution of the matter with the Australian Taxation Office (ATO) and the final tax rate that will be levied in respect of the Group's Singaporean entities' earnings; and
  - The judgment in management's current estimate of taxation by applying the Australian income tax rate of 30% to the Singaporean entities' earnings, which may exceed the actual tax that applies if the income is deemed to be non-assessable or only partially assessable in Australia.
- 

#### How the matter was addressed in our audit

Our audit procedures included:

- Working with our tax specialists to evaluate documentation prepared by the Group's internal and external advisors based on our specialists' experience and our understanding of the issue, including the current status of discussions with the ATO, expected timing for resolution and the extent of any potential changes to the estimate; and
- Evaluating the disclosures of the Group by comparing them to our understanding of the matter and potential adjustments to future period income tax expense.

## Independent Auditor's Report continued

TO THE SHAREHOLDERS OF CALTEX AUSTRALIA LIMITED



### Other Information

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

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

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

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

### Responsibilities of Directors for the Financial Report

The Directors are responsible for:

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

### Auditor's responsibilities for the audit of the Financial Report

Our objective is:

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

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

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

A further description of our responsibilities for the Audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: [http://www.auasb.gov.au/auditors\\_files/ar1.pdf](http://www.auasb.gov.au/auditors_files/ar1.pdf). This description forms part of our Auditor's Report.

### Report on the Remuneration Report

#### Opinion

In our opinion, the Remuneration Report of Caltex Australia Limited for the year ended 31 December 2018, complies with *Section 300A* of the *Corporations Act 2001*.

#### Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

#### Our responsibilities

We have audited the Remuneration Report included in pages 51 to 67 of the Directors' report for the year ended 31 December 2018.

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

KPMG

**Julian McPherson**

Partner

Sydney

26 February 2019

## Financial Statements

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## Consolidated Income Statement

FOR THE YEAR ENDED 31 DECEMBER 2018

Thousands of dollars	Note	2018	2017 (restated) <sup>1</sup>
Revenue	B1	<b>21,731,342</b>	16,285,810
Cost of goods sold – historical cost		<b>(19,606,994)</b>	(14,125,384)
<b>Gross profit</b>		<b>2,124,348</b>	2,160,426
Other income	B1	<b>12,555</b>	2,073
Other expense	B2	<b>(17,291)</b>	(43,000)
Net foreign exchange losses		<b>(14,173)</b>	(39,071)
Selling and distribution expenses		<b>(1,061,236)</b>	(929,784)
General and administration expenses		<b>(224,234)</b>	(220,147)
<b>Results from operating activities</b>		<b>819,969</b>	930,497
Finance costs		<b>(51,872)</b>	(70,102)
Finance income		<b>2,670</b>	3,202
<b>Net finance costs</b>	B2	<b>(49,202)</b>	(66,900)
Share of net profit/(loss) of entities accounted for using the equity method	F3.4	<b>10,133</b>	(151)
<b>Profit before income tax expense</b>		<b>780,900</b>	863,446
Income tax expense	E1	<b>(219,310)</b>	(242,694)
<b>Net profit</b>		<b>561,590</b>	620,752
<b>Profit attributable to:</b>			
Equity holders of the parent entity		<b>560,416</b>	619,085
Non-controlling interest		<b>1,174</b>	1,667
<b>Net profit</b>		<b>561,590</b>	620,752
Basic and diluted earnings per share:			
<b>Historical cost – cents per share</b>	B4	<b>214.9</b>	237.4

The consolidated income statement for the year ended 31 December 2018 includes significant items net loss of \$12 million after tax (2017: \$14 million loss after tax). Details of these items are disclosed in Note B1.

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

<sup>1</sup> Refer to Note A5 for further information.

## Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2018

Thousands of dollars	2018	2017
Profit for the period	561,590	620,752
<b>Other comprehensive income</b>		
<b>Items that will not be reclassified to profit or loss:</b>		
Actuarial gain/(loss) on defined benefit plans	(2,793)	3,519
Tax on items that will not be reclassified to profit or loss	838	(1,056)
<b>Total items that will not be reclassified to profit or loss</b>	<b>(1,955)</b>	<b>2,463</b>
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Foreign operations – foreign currency translation differences	52,618	(29,577)
Net change in fair value of net investment hedges	(6,612)	1,045
Effective portion of changes in fair value of cash flow hedges	10,442	(45,221)
Net change in fair value of cash flow hedges reclassified to profit or loss	(12,337)	45,294
Tax on items that may be reclassified subsequently to profit or loss	2,026	(2)
<b>Total items that may be reclassified subsequently to profit or loss</b>	<b>46,137</b>	<b>(28,461)</b>
<b>Other comprehensive income for the period, net of income tax</b>	<b>44,182</b>	<b>(25,998)</b>
<b>Total comprehensive income for the period</b>	<b>605,772</b>	<b>594,754</b>
<b>Attributable to:</b>		
Equity holders of the parent entity	604,598	593,087
Non-controlling interest	1,174	1,667
<b>Total comprehensive income for the period</b>	<b>605,772</b>	<b>594,754</b>

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 2018

Thousands of dollars	Note	2018	2017
<b>Current assets</b>			
Cash and cash equivalents		6,142	44,521
Receivables	C1	1,184,025	922,420
Inventories	C2	1,616,125	1,694,915
Other		65,293	65,767
<b>Total current assets</b>		<b>2,871,585</b>	<b>2,727,623</b>
<b>Non-current assets</b>			
Receivables	C1	8,081	10,887
Investments accounted for using the equity method	F3	147,442	11,360
Intangibles	C3	554,219	516,866
Property, plant and equipment	C4	2,889,863	2,818,353
Deferred tax assets	E2	184,160	244,073
Employee benefits	C7	1,721	3,233
Other		70,552	22,825
<b>Total non-current assets</b>		<b>3,856,038</b>	<b>3,627,597</b>
<b>Total assets</b>		<b>6,727,623</b>	<b>6,355,220</b>
<b>Current liabilities</b>			
Payables	C5	1,827,169	1,735,254
Interest bearing liabilities	D1	150,421	270,269
Current tax liabilities		65,708	151,948
Employee benefits	C7	85,639	93,677
Provisions	C6	65,257	107,521
<b>Total current liabilities</b>		<b>2,194,194</b>	<b>2,358,669</b>
<b>Non-current liabilities</b>			
Payables	C5	41,686	10,855
Interest bearing liabilities	D1	810,914	588,652
Employee benefits	C7	39,667	37,318
Provisions	C6	252,098	251,825
<b>Total non-current liabilities</b>		<b>1,144,365</b>	<b>888,650</b>
<b>Total liabilities</b>		<b>3,338,559</b>	<b>3,247,319</b>
<b>Net assets</b>		<b>3,389,064</b>	<b>3,107,901</b>
<b>Equity</b>			
Issued capital	D5	524,944	524,944
Treasury stock		(2,462)	(1,210)
Reserves		11,168	(39,511)
Retained earnings		2,842,357	2,610,195
Total parent entity interest		3,376,007	3,094,418
Non-controlling interest		13,057	13,483
<b>Total equity</b>		<b>3,389,064</b>	<b>3,107,901</b>

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 2018

Thousands of dollars	Issued capital	Treasury stock	Foreign currency translation reserve	Hedging reserve	Equity compensation reserve	Retained earnings	Total	Non-controlling interest	Total equity
<b>Balance at 1 January 2017</b>	524,944	(344)	15,620	(1,267)	(22,308)	2,280,754	2,797,399	12,816	2,810,215
Total comprehensive income for the year									
Profit for the year	-	-	-	-	-	619,085	619,085	1,667	620,752
Total other comprehensive income	-	-	(28,532)	71	-	2,463	(25,998)	-	(25,998)
<b>Total comprehensive income for the year</b>	-	-	(28,532)	71	-	621,548	593,087	1,667	594,754
Own shares acquired, net of tax	-	(10,540)	-	-	3,122	-	(7,418)	-	(7,418)
Shares vested to employees	-	9,674	-	-	(9,674)	-	-	-	-
Expense on equity settled transactions	-	-	-	-	3,457	-	3,457	-	3,457
Dividends to shareholders	-	-	-	-	-	(292,107)	(292,107)	(1,000)	(293,107)
<b>Balance at 31 December 2017</b>	524,944	(1,210)	(12,912)	(1,196)	(25,403)	2,610,195	3,094,418	13,483	3,107,901
Balance at 1 January 2018	<b>524,944</b>	<b>(1,210)</b>	<b>(12,912)</b>	<b>(1,196)</b>	<b>(25,403)</b>	<b>2,610,195</b>	<b>3,094,418</b>	<b>13,483</b>	<b>3,107,901</b>
Adjustment*	-	-	-	-	-	(18,542)	(18,542)	-	(18,542)
Restated balance at 1 January 2018	<b>524,944</b>	<b>(1,210)</b>	<b>(12,912)</b>	<b>(1,196)</b>	<b>(25,403)</b>	<b>2,591,653</b>	<b>3,075,876</b>	<b>13,483</b>	<b>3,089,359</b>
<b>Total comprehensive income for the year</b>									
Profit for the year	-	-	-	-	-	560,416	560,416	1,174	561,590
Total other comprehensive income	-	-	46,006	131	-	(1,955)	44,182	-	44,182
<b>Total comprehensive income for the year</b>	-	-	46,006	131	-	558,461	604,598	1,174	605,772
Own shares acquired net of tax	-	(1,586)	-	-	476	-	(1,110)	-	(1,110)
Shares vested to employees	-	334	-	-	(334)	-	-	-	-
Expense on equity settled transactions	-	-	-	-	4,400	-	4,400	-	4,400
Dividends to shareholders	-	-	-	-	-	(307,757)	(307,757)	(1,600)	(309,357)
<b>Balance at 31 December 2018</b>	<b>524,944</b>	<b>(2,462)</b>	<b>33,094</b>	<b>(1,065)</b>	<b>(20,861)</b>	<b>2,842,357</b>	<b>3,376,007</b>	<b>13,057</b>	<b>3,389,064</b>

\* Refer to Note A4 for further information.

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 2018

Thousands of dollars	Note	2018	2017
<b>Cash flows from operating activities</b>			
Receipts from customers		29,832,846	23,693,457
Payments to suppliers, employees and governments		(28,949,935)	(22,654,228)
Shares acquired for vesting employee benefits		(1,586)	(10,540)
Dividends and disbursements received		400	300
Interest received		2,622	3,125
Interest and other finance costs paid		(52,000)	(57,693)
Income taxes paid		(235,843)	(239,389)
<b>Net operating cash inflows</b>	G5.2	<b>596,504</b>	735,032
<b>Cash flows from investing activities</b>			
Purchase of investment in associate		(115,353)	-
Purchases of businesses, net of cash acquired	F2	(1,174)	(425,902)
Purchases of property, plant and equipment		(253,954)	(324,077)
Major cyclical maintenance		(38,516)	(38,820)
Purchases of intangibles		(60,350)	(49,004)
Net proceeds from sale of property, plant and equipment		43,774	37,455
<b>Net investing cash outflows</b>		<b>(425,573)</b>	(800,348)
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		7,465,193	5,001,095
Repayments of borrowings		(7,378,557)	(4,842,447)
Repayment of finance lease principal		(212)	(561)
Dividends paid to non-controlling interest		(1,600)	(1,000)
Dividends paid		(307,757)	(292,107)
<b>Net financing cash outflows</b>		<b>(222,933)</b>	(135,020)
Effect of exchange rate changes on cash and cash equivalents		(13,623)	-
Decrease in cash and cash equivalents		(38,379)	(200,336)
Net decrease in cash and cash equivalents		(52,002)	(200,336)
Cash and cash equivalents at the beginning of the period		44,521	244,857
<b>Cash and cash equivalents at the end of the year</b>		<b>6,142</b>	44,521

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

## Notes to the Financial Statements

### A Overview

FOR THE YEAR ENDED 31 DECEMBER 2018

#### A1 Reporting entity

Caltex Australia Limited (Caltex or Company) is a company limited by shares, incorporated and domiciled in Australia. The shares of Caltex are publicly traded on the Australian Securities Exchange (ASX: CTX). The consolidated financial statements for the year ended 31 December 2018 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. Caltex is a for-profit entity and is primarily involved in the purchase, refining, distribution and marketing of petroleum products and the operation of convenience stores.

#### A2 Basis of preparation

The consolidated financial statements were approved by the Caltex Board on 26 February 2019.

The financial report has been prepared as a general purpose financial report and complies with the requirements of the *Corporations Act* (Cth) 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 2016/191 dated 24 March 2016. 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 effective for annual periods beginning after 1 January 2019 have not been applied in preparing these consolidated financial statements. Refer to Note G8.

#### A3 Use of judgement and estimates

The preparation of a consolidated financial report in conformity with AASBs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied by each entity in the 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;
- Note C6 provides key sources of estimation, uncertainty and assumptions used in regard to estimation of provisions; and
- Note E1 provides information around the extent to which earnings from the Group's Singaporean entities would be subject to income tax in Australia.

## Notes to the Financial Statements

### A Overview *continued*

FOR THE YEAR ENDED 31 DECEMBER 2018

#### A4 Changes in significant accounting policies

##### **AASB 15 Revenue from contracts with customers**

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced *AASB 118 Revenue* and related interpretations.

The Group has performed a review of all revenue and income streams including assessment of sales contracts across different major customers to identify any potential pricing or performance obligations which are impacted by the new standard. Based on this review, the Group did not identify any material difference in the timing or amount of revenue recognition.

Under Caltex's previous accounting policy up front initial franchising fees were recognised on receipt. Under AASB 15, franchisees' fees will be deferred on balance sheet and recognised in the income statement over the term of the franchise agreement. This adjustment resulted in an increase to deferred revenue of \$26.5 million at 1 January 2018 and a corresponding reduction in retained earnings of \$18.5 million and increase in deferred tax asset of \$7.9 million. The corresponding impact of the adjustment if this treatment was applied in 2017 would have resulted in a \$1 million increase to profit after tax.

The Group has adopted AASB 15 using the cumulative effect method (using practical expedients in paragraphs C7 and C7A), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). Accordingly, the information presented for 2017 has not been restated as a result of the application of AASB 15.

##### **AASB 9 Financial Instruments**

AASB 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces *AASB 139 Financial Instruments: Recognition and Measurement*.

The Group performed a review of its current classification and measurement of financial assets and liabilities as well as hedge transactions for compliance with the requirements of the new standard. Based on this review, the Group did not identify any material change to the classification or measurement of financial instruments.

The Group has elected to adopt the new general hedge accounting model in AASB 9. This requires the Group to ensure that hedge accounting relationships are aligned with its risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness. Existing hedge relationships have continued to qualify as continuing hedge relationships following adoption of the new standard.

AASB 9 introduces an expected credit loss model for impairment of financial assets. The Group has reviewed the requirements of the 'expected credit loss' model and did not identify any material difference in the level of the required provision.

Caltex has adopted AASB 9 retrospectively to items that existed at the date of initial application – 1 January 2018. The overall impact of adopting AASB 9 is not material and as such, no opening balance adjustment is required.

#### A5 Reclassifications

Certain comparative amounts in the Consolidated income statement have been reclassified for consistency with the current period's presentation. These include:

- a decrease of \$5,112,441,000 in Revenue and Cost of goods sold – historical cost to present product duties and taxes on a net basis. This classification change is to better reflect that Caltex acts as an agent to charge and collect product duties and taxes and remit them to the relevant tax authority. There is no impact on net profit or the balance sheet for this change; a decrease in Selling and Distribution expenses of \$94,923,000 and an increase in General and Administration expenses to better reflect the nature of these costs; and
- a decrease in Selling and Distribution expenses of \$43,000,000 and an increase in Other expenses as described in B2.

## Notes to the Financial Statements

### B Results for the year

FOR THE YEAR ENDED 31 DECEMBER 2018

This section highlights the performance of the Caltex 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 product duties and taxes, rebates, discounts and allowances.

Gross sales revenue excludes amounts collected on behalf of third parties such as goods and services tax (GST). Sales revenue is recognised when customers gain control, which is the date products are delivered to the customer.

###### *Contract assets*

On 5 July 2018, Caltex expanded its partnership with Woolworths, including a new supply agreement. In connection with this 15 year agreement, Caltex made a one-off payment of \$50 million in July 2018. This will be amortised over the life of the agreement.

The closing balance as at 31 December 2018 in relation to this contract asset is \$48,611,110.

###### *Other revenue*

Rental income from leased sites is recognised in the Consolidated income statement on a straight-line basis over the term of the lease. Franchise fee income is deferred and recognised in accordance with the substance of the agreement. Royalties are recognised in line with franchise agreements. Transaction and merchant fees are generated from Starcard and credit card transactions processed across the network.

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

##### Other income

###### *Net profit on disposal of property, plant and equipment*

The profit on disposal of property, plant and equipment is brought to account at the 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 control 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	2018	2017 (restated)
<b>Revenue</b>		
Sale of goods	<b>21,467,991</b>	15,959,699
Other revenue		
Rental income	<b>42,191</b>	73,315
Royalties and franchise income	<b>74,146</b>	104,131
Transaction and merchant fees	<b>109,297</b>	101,142
Other	<b>37,717</b>	47,523
Total other revenue	<b>263,351</b>	326,111
<b>Total revenue</b>	<b>21,731,342</b>	16,285,810
<b>Other income</b>		
Net gain on sale of property, plant and equipment	<b>12,555</b>	2,073

##### Significant items

During 2017, there were net significant items of \$19 million in relation to the profit on sale of Caltex's fuel oil business and the utilisation of prior period capital losses to partially offset tax expense on the profit on sale.

## Notes to the Financial Statements

### B Results for the year continued

FOR THE YEAR ENDED 31 DECEMBER 2018

#### 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	2018	2017
<b>Finance costs</b>		
Interest expense	52,753	55,883
Finance charges on capitalised leases	27	-
Unwinding of discount on provisions	(621)	16,686
Less: capitalised finance costs	(287)	(2,467)
Finance costs	51,872	70,102
Finance income	(2,670)	(3,202)
Net finance costs	49,202	66,900
<b>Depreciation and amortisation</b>		
Depreciation of:		
Buildings	15,444	7,680
Plant and equipment	194,314	188,874
	209,758	196,554
Amortisation of:		
Leasehold property	14,218	8,392
Intangibles	31,439	24,217
	45,657	32,609
Total depreciation and amortisation	255,415	229,163
Personnel expenses	487,426	375,111
<b>Other expenses</b>		
Other expenses	17,291	43,000

#### Significant items

During 2018, significant item expense consists of the loss on exit from Caltex's 49% interest in Kitchen Food Company of \$27 million, offset in relation to the partial writeback of the Franchisee Employee Assistance Fund (\$10 million) resulting in a net impact of \$17 million (\$12 million after tax). In 2017, the significant item loss was a result of the announced establishment of the Franchisee Employee Assistance Fund (\$20 million) and restructuring and redundancy costs associated with the capability and competitiveness project Quantum Leap (\$23 million).

## B3 Segment reporting

### B3.1 Segment disclosures

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

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

Inter-entity sales are recognised based on an internally set transfer price. Sales between segments are based on arm's length principles appropriate to reflect prevailing market pricing structures at that time. Where possible, relevant import parity pricing is used to determine arm's length pricing between the two segments. Revenue from external parties reported to the chief operating decision maker is measured in a manner consistent with that in the consolidated income statement. 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:

##### ***Convenience Retail***

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

##### ***Fuels and Infrastructure***

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

## Notes to the Financial Statements

### B Results for the year continued

FOR THE YEAR ENDED 31 DECEMBER 2018

#### B3 Segment reporting continued

##### B3.2 Information about reportable segments

Thousands of dollars	Convenience Retail		Fuels and Infrastructure		Total operating segments	
	2018	2017 (restated)	2018	2017 (restated)	2018	2017 (restated)
External segment revenue	<b>4,967,625</b>	4,081,299	<b>16,763,717</b>	12,204,511	<b>21,731,342</b>	16,285,810
Inter-segment revenue	-	-	<b>3,695,162</b>	3,141,205	<b>3,695,162</b>	3,141,205
<b>Total segment revenue</b>	<b>4,967,625</b>	4,081,299	<b>20,458,879</b>	15,345,716	<b>25,426,504</b>	19,427,015
Share of profit of associates and joint ventures	-	(151)	<b>10,133</b>	-	<b>10,133</b>	(151)
Depreciation and amortisation	<b>(97,134)</b>	(85,160)	<b>(150,576)</b>	(138,266)	<b>(247,710)</b>	(223,426)
Replacement Cost of sales Operating Profit (RCOP) before interest and income tax*	<b>307,319</b>	333,699	<b>569,954</b>	666,383	<b>877,273</b>	1,000,082
Other material items:						
Inventory gains/(loss)	-	-	<b>20,293</b>	(6,232)	<b>20,293</b>	(6,232)
Capital expenditure (including acquisitions)	<b>(194,090)</b>	(310,320)	<b>(248,589)</b>	(496,633)	<b>(442,679)</b>	(806,953)

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

Thousands of dollars	2018	2017 (restated)
<b>Revenues</b>		
Total revenue for reportable segments	<b>25,426,504</b>	19,392,091
Elimination of inter-segment revenue	<b>(3,695,162)</b>	(3,141,205)
<b>Consolidated revenue</b>	<b>21,731,342</b>	16,250,886
<b>Profit or loss</b>		
Segment RCOP before interest and income tax, excluding significant items	<b>877,273</b>	1,018,829
Other expenses	<b>(51,347)</b>	(59,968)
RCOP before interest and income tax, excluding significant items	<b>825,926</b>	958,861

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



**Significant items excluded from profit or loss reported to the chief operating decision maker:**

Thousands of dollars	2018	2017 (restated)
Loss on exit from Kitchen Food Company	(27,291)	-
Partial writeback of Franchisee Employee Assistance Fund	10,000	-
Sale of Fuel Oil business	-	19,050
Establishment of Franchisee Employee Assistance Fund	-	(20,000)
Quantum Leap restructuring costs	-	(23,000)
<b>RCOP before interest and income tax</b>	<b>808,635</b>	934,911
Inventory gains/(loss)	20,293	(6,232)
<b>Consolidated historical cost profit before interest and income tax</b>	<b>828,928</b>	928,679
Net financing costs	(49,202)	(66,900)
Net profit attributable to non-controlling interest	1,174	1,667
<b>Consolidated profit before income tax</b>	<b>780,900</b>	863,446

Thousands of dollars	Reportable segment totals	Other	Consolidated totals
<b>Other material items 2018</b>			
Depreciation and amortisation	(247,710)	(7,705)	(255,415)
Inventory gains	20,293	-	20,293
Capital expenditure	(442,966)	(26,668)	(469,634)
<b>Other material items 2017 (restated)</b>			
Depreciation and amortisation	(223,426)	(5,737)	(229,163)
Inventory loss	(6,232)	-	(6,232)
Capital expenditure	(806,953)	(4,207)	(811,160)

**B3.4 Geographical segments**

The Group operates in Australia, New Zealand and Singapore. External revenue is predominantly generated in Australia and the Group's non-financial non-current assets are predominantly located in the Group's country of domicile, Australia. Following the acquisition of Gull New Zealand in 2017, the Group in 2018 has generated A\$559,143,000 revenue (2017: A\$203,500,000) and holds A\$335,292,000 of non-current assets (2017: A\$304,800,000) in New Zealand. In 2018, the Group has generated A\$1,877,480,000 external revenue in Singapore (2017: A\$1,223,236,000).

**B3.5 Major customer**

Revenues from one customer of the Group's Fuels and Infrastructure segment represent approximately \$3,700,000,000 (2017: \$3,400,000,000) of the Group's total gross sales revenue (excluding product duties and taxes).

**B3.6 Revenue from products and services**

Thousands of dollars	2018	2017 (restated)
Petrol	7,082,125	6,010,412
Diesel	10,064,001	6,806,049
Jet	2,613,749	1,789,023
Lubricants	240,486	231,592
Specialty and other products	222,258	120,310
Crude	674,993	719,218
Non-fuel income and rebates	570,379	283,095
Other revenue	263,351	326,111
	<b>21,731,342</b>	16,285,810

## Notes to the Financial Statements

### B Results for the year continued

FOR THE YEAR ENDED 31 DECEMBER 2018

#### B4 Earnings per share

Cents per share	2018	2017
Historical cost net profit attributable to ordinary shareholders	214.9	237.4
RCOP after tax and excluding significant items	214.1	238.0

The calculation of historical cost basic earnings per share for the year ended 31 December 2018 was based on the net profit attributable to ordinary shareholders of the parent entity of \$560,416,000 (2017: \$619,085,000) and a weighted average number of ordinary shares outstanding during the year ended 31 December 2018 of 261 million shares (2017: 261 million shares).

The calculation of RCOP excluding significant items basic earnings per share for the year ended 31 December 2018 was based on the net RCOP profit attributable to ordinary shareholders of the parent entity of \$558,314,000 (2017: \$620,816,000) and a weighted average number of ordinary shares outstanding as disclosed during the year ended 31 December 2018 of 261 million shares (2017: 261 million shares). RCOP is calculated by adjusting the statutory profit for significant items and inventory gains and losses as follows:

Thousands of dollars	2018	2017
Net profit after tax attributable to equity holders of the parent entity	560,416	619,085
Add: significant items losses after tax	12,104	14,126
Less: inventory (gains)/loss after tax	(14,206)	4,362
RCOP excluding significant items after tax	558,314	637,573

The impact of dilutive potential ordinary shares is not material and equates to less than \$0.01 per share. 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
<b>2018</b>				
Interim 2018	11 September 2018	Franked	57	148,663
Final 2017	6 April 2018	Franked	61	159,094
<b>Total amount</b>			118	307,757
<b>2017</b>				
Interim 2017	6 October 2017	Franked	60	156,486
Final 2016	31 March 2017	Franked	52	135,621
Total amount			112	292,107

##### Subsequent events

Since 31 December 2018, 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 2018.

Final 2018	5 April 2019	Franked	61	159,094
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##### B5.2 Dividend franking account

Thousands of dollars	2018	2017
30% franking credits available to shareholders of Caltex Australia Limited for subsequent financial years	1,007,281	936,078

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 \$68,183,321 (2017: \$68,183,321).

## Notes to the Financial Statements

### C Operating assets and liabilities

FOR THE YEAR ENDED 31 DECEMBER 2018

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	2018	2017
<b>Current</b>		
Trade debtors	<b>923,468</b>	736,644
Allowance for impairment	<b>(7,044)</b>	(6,255)
	<b>916,424</b>	730,389
Associated entities	<b>10,426</b>	10,398
Other related entities	<b>88,222</b>	2,054
Derivative assets	<b>65,073</b>	1,167
Other debtors	<b>103,880</b>	178,412
	<b>1,184,025</b>	922,420
<b>Non-current</b>		
Other loans	<b>8,081</b>	10,887

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

Impairment testing is performed at reporting date. A provision for impairment losses is raised based on a risk matrix for expected credit losses across customer categories.

#### Impaired receivables

As at 31 December 2018, current trade receivables of the Group with a nominal value of \$7,044,000 (2017: \$6,255,000) were provided for as impaired based on the expected credit loss model. No collateral is held over these impaired receivables.

As at 31 December 2018, trade receivables of \$44,755,000 (2017: \$27,922,000) were overdue. The ageing analysis of receivables is as follows:

Thousands of dollars	2018	2017
Past due 0 to 30 days	<b>34,513</b>	25,735
Past due 31 to 60 days	<b>5,147</b>	2,187
Past due greater than 60 days	<b>5,095</b>	-
	<b>44,755</b>	27,922

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

Thousands of dollars	2018	2017
At 1 January	<b>6,255</b>	6,550
Provision for impairment recognised during the year	<b>2,874</b>	2,216
Receivables written off during the year as uncollectible	<b>(2,085)</b>	(2,511)
At 31 December	<b>7,044</b>	6,255

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.

## Notes to the Financial Statements

### C Operating assets and liabilities continued

FOR THE YEAR ENDED 31 DECEMBER 2018

#### C2 Inventories

Thousands of dollars	2018	2017
Crude oil and raw materials	325,494	409,910
Inventory in process	49,503	51,882
Finished goods	1,221,713	1,216,592
Materials and supplies	19,415	16,531
At 31 December	1,616,125	1,694,915

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.

There was no inventory written down to net realisable value at 31 December 2018 and 31 December 2017.

#### C3 Intangibles

Thousands of dollars	Note	Goodwill	Rights and licences	Software	Total
<b>Cost</b>					
At 1 January 2018		415,748	67,637	184,923	668,308
Acquisitions through business combinations	F2	912	-	-	912
Additions and transfers		-	9,455	52,069	61,524
Disposals		-	-	(20,003)	(20,003)
Foreign currency translation		10,234	-	744	10,978
Balance at 31 December 2018		426,894	77,092	217,733	721,719
<b>Cost</b>					
At 1 January 2017		146,460	32,878	164,477	343,815
Acquisitions through business combinations	F2	284,600	37,896	-	322,496
Additions and transfers		-	31	48,973	49,004
Disposals		(4,659)	(1,348)	(28,152)	(34,159)
Foreign currency translation		(10,653)	(1,820)	(375)	(12,848)
Balance at 31 December 2017		415,748	67,637	184,923	668,308
<b>Amortisation and impairment</b>					
At 1 January 2018		(16,391)	(24,535)	(110,516)	(151,442)
Amortisation for the year		-	(12,113)	(19,326)	(31,439)
Impairment		(3,067)	-	-	(3,067)
Disposals		-	-	18,783	18,783
Foreign currency translation		-	-	(335)	(335)
Balance at 31 December 2018		(19,458)	(36,648)	(111,394)	(167,500)
<b>Amortisation and impairment</b>					
At 1 January 2017		(16,391)	(19,501)	(112,588)	(148,480)
Amortisation for the year		-	(6,094)	(18,123)	(24,217)
Disposals		-	1,060	20,032	21,092
Reclassification		-	-	163	163
Balance at 31 December 2017		(16,391)	(24,535)	(110,516)	(151,442)

Thousands of dollars	Goodwill	Rights and licences	Software	Total
<b>Carrying amount</b>				
At 1 January 2018	<b>399,357</b>	<b>43,102</b>	<b>74,407</b>	<b>516,866</b>
Balance at 31 December 2018	<b>407,436</b>	<b>40,444</b>	<b>106,339</b>	<b>554,219</b>
<b>Carrying amount</b>				
At 1 January 2017	130,069	13,377	51,889	195,335
Balance at 31 December 2017	399,357	43,102	74,407	516,866

The amortisation charge of \$31,439,000 (2017: \$24,217,000) 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% to 17%
Software not integrated with hardware	7% to 18%
Rights and licences	4% to 33%

### Impairment

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

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

Total goodwill and indefinite life intangibles at 31 December 2018 was \$407,436,000 and \$21,264,000 respectively. This was allocated to each group of cash-generating units as follows. Goodwill: Gull NZ \$222,728,000, Fuels and Infrastructure: \$68,272,000, Convenience Retail: \$116,436,000, Indefinite life intangibles: Gull NZ \$20,485,000, Fuels and Infrastructure: \$779,000. Goodwill and indefinite life intangibles have been allocated to the group of cash-generating units containing all the assets in the integrated value chain (inclusive of retail sites, depots, pipelines and terminals).

The recoverable amount of the group of cash-generating units including goodwill and indefinite life intangibles has been determined based on a value in use calculation. This calculation uses pre-tax cash flow projections based on an extrapolation of the year end cash flows and available budget information. Pre-tax discount rates used vary depending on the nature of the business and the country of operation. The cash flows have been discounted using pre-tax discount rates of 11.6% to 15.6% p.a. The cash flows have been extrapolated using a constant growth rate of 0% to 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 2017 (2016: nil).

## Notes to the Financial Statements

### C Operating assets and liabilities continued

FOR THE YEAR ENDED 31 DECEMBER 2018

#### 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	Estimated future cash flows are based on the Group's most recent board approved business plan covering a period not exceeding three years. Cash flows beyond the approved business plan period are extrapolated using estimated long-term growth rates.
Estimated long-term average growth rate	0% to 2.5%
Discount rate	The discount rate is disclosed above

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	2018	2017
<b>Freehold land</b>		
At cost	465,454	440,289
Accumulated impairment losses	(37,284)	(37,284)
Net carrying amount	428,170	403,005
<b>Buildings</b>		
At cost	785,740	693,770
Accumulated depreciation and impairment losses	(276,714)	(261,270)
Net carrying amount	509,026	432,500
<b>Leasehold property</b>		
At cost	240,406	209,112
Accumulated amortisation	(123,839)	(109,620)
Net carrying amount	116,567	99,492
<b>Plant and equipment</b>		
At cost	5,863,522	5,581,002
Accumulated depreciation and impairment losses	(4,301,860)	(4,107,544)
Net carrying amount	1,561,662	1,473,458
<b>Capital projects in progress</b>		
At cost	274,438	410,389
Accumulated impairment losses	-	(491)
Net carrying amount	274,438	409,898
<b>Total net carrying amount</b>	<b>2,889,863</b>	<b>2,818,353</b>

##### Owned assets

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

The cost of property, plant and equipment includes the cost of decommissioning and restoration costs at the end of their economic lives if a present legal or constructive obligation exists. More details of how this cost is estimated and recognised is contained in Note C6.

Assessment of impairment is evaluated as set out below.

##### 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 Caltex Group and the cost of the item can be reliably measured. All other expenditure is recognised in the consolidated income statement as an expense as incurred.

### Major cyclical maintenance

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

### Depreciation

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

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

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

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

### Impairment

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

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

## Notes to the Financial Statements

### C Operating assets and liabilities continued

FOR THE YEAR ENDED 31 DECEMBER 2018

#### C4 Property, plant and equipment continued

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

Thousands of dollars	2018	2017
<b>Freehold land</b>		
Carrying amount at the beginning of the year	403,005	338,795
Additions	31,505	54,777
Acquisition through business combination	-	14,077
Disposals	(7,023)	(4,644)
Foreign currency translation	683	-
<b>Carrying amount at the end of the year</b>	<b>428,170</b>	<b>403,005</b>
<b>Buildings</b>		
Carrying amount at the beginning of the year	432,500	408,000
Additions	933	9,986
Disposals	(4,121)	(12,796)
Transfers from capital projects in progress	95,147	34,230
Depreciation	(15,444)	(7,680)
Reclassification	-	760
Foreign currency translation	11	-
<b>Carrying amount at the end of the year</b>	<b>509,026</b>	<b>432,500</b>
<b>Leasehold property</b>		
Carrying amount at the beginning of the year	99,492	85,749
Additions	8,355	5,089
Acquisition through business combination	-	20,929
Disposals	(2,154)	(4,097)
Transfers from capital projects in progress	23,227	788
Amortisation	(14,218)	(8,392)
Foreign currency translation	1,865	(574)
<b>Carrying amount at the end of the year</b>	<b>116,567</b>	<b>99,492</b>
<b>Plant and equipment</b>		
Carrying amount at the beginning of the year	1,473,458	1,545,424
Additions	26,400	47,434
Acquisition through business combination	-	39,290
Disposals	(27,102)	(90,311)
Transfers from capital projects in progress	281,384	116,059
Depreciation	(194,314)	(188,874)
Foreign currency translation	1,836	4,436
<b>Carrying amount at the end of the year</b>	<b>1,561,662</b>	<b>1,473,458</b>
<b>Capital projects in progress</b>		
Carrying amount at the beginning of the year	409,898	312,897
Additions	225,277	245,611
Borrowing costs capitalised	287	2,467
Transfers to buildings, leased property, plant and equipment	(399,758)	(151,077)
Reclassification	38,734	-
<b>Carrying amount at the end of the year</b>	<b>274,438</b>	<b>409,898</b>



## C5 Payables

Thousands of dollars	2018	2017
<b>Current</b>		
Trade creditors – unsecured		
– Related entities	-	-
– Other corporations and persons	1,456,442	1,361,704
Other creditors and accrued expenses	366,874	331,826
Derivative liabilities	3,853	41,724
	<b>1,827,169</b>	<b>1,735,254</b>
<b>Non-current</b>		
Other creditors and accrued expenses	41,686	10,855

Payables are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Group. Trade accounts payable are normally settled on between 30-day and 60-day terms.

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

## C6 Provisions

Thousands of dollars	Site remediation and dismantling	Other	Total
Balance at 1 January 2018	345,097	14,249	359,346
Provisions made during the year	2,770	8,950	11,720
Provisions used during the year	(45,982)	(6,980)	(52,962)
Discounting movement	(749)	-	(749)
Balance at 31 December 2018	301,136	16,219	317,355
Current	52,308	12,949	65,257
Non-current	248,828	3,270	252,098
	<b>301,136</b>	<b>16,219</b>	<b>317,355</b>

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 changes.

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.

## Notes to the Financial Statements

### C Operating assets and liabilities continued

FOR THE YEAR ENDED 31 DECEMBER 2018

#### 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	2018	2017
<b>Non-current assets</b>		
Defined benefit superannuation asset	1,721	3,233
Total asset for employee benefits	1,721	3,233
<b>Current liabilities</b>		
Liability for annual leave	33,357	29,570
Liability for long service leave	3,910	4,823
Liability for termination benefits	9,801	13,864
Bonus accrued	38,571	45,420
Total current liability for employee benefits	85,639	93,677
<b>Non-current liabilities</b>		
Liability for long service leave	36,433	35,198
Defined benefit superannuation obligation	3,234	2,120
Total non-current liability for employee benefits	39,667	37,318
Total net liability for employee benefits	123,585	127,762

## Notes to the Financial Statements

### D Capital, funding and risk management

FOR THE YEAR ENDED 31 DECEMBER 2018

#### D Capital, funding and risk management

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	2018	2017
<b>Current</b>			
Bank facilities		<b>150,257</b>	120,154
Capital market borrowings		-	149,923
Lease liabilities	G1	<b>164</b>	192
		<b>150,421</b>	270,269
<b>Non-current</b>			
Bank facilities		<b>510,339</b>	588,495
Capital market borrowings		<b>300,575</b>	-
Lease liabilities	G1	-	157
		<b>810,914</b>	588,652

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

##### Significant funding transactions

During 2018, the Group issued a seven-year \$300 million Australian dollar Medium Term Note. The Group also extended the tenor on \$1,626 million (AUD equivalent) of its existing bilateral bank facilities and upsized its bank facilities by \$320 million.

##### D2 Risk management

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

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

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

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

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

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

## Notes to the Financial Statements

### D Capital, funding and risk management continued

FOR THE YEAR ENDED 31 DECEMBER 2018

#### D2 Risk management continued

##### Hedge accounting

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

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

#### D2.1 Interest rate risk

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

##### Interest rate risk exposure

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

Thousands of dollars		2018	2017
<b>Financial assets</b>			
Cash at bank and on hand		6,142	44,521
		<b>6,142</b>	44,521
<b>Financial liabilities</b>			
<i>Variable rate borrowings</i>			
Bank facilities	D1	490,596	428,649
<i>Fixed interest rate – repricing dates:</i>			
12 months or less	D1	164	150,115
One to five years	D1	320,000	280,157
Over five years	D1	150,575	-
		<b>961,335</b>	858,921

### Management of interest rate risk

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

The Group manages its cash flow interest rate risk by entering into floating-to-fixed interest rate swap contracts.

At 31 December 2018, the fixed rates under these swap contracts varied from 2.3% to 2.5% per annum, at a weighted average rate of 2.4% per annum (2017: 2.3% to 2.5% per annum, at a weighted average rate of 2.4% per annum).

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

The net fair value of interest rate swap contracts at 31 December 2018 was a \$550,000 loss (2017: \$1,000,000 loss).

### Interest rate sensitivity analysis

At 31 December 2018, 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:

Thousands of dollars	2018		2017	
	Post-tax profit	Hedge reserve	Post-tax profit	Hedge reserve
Interest rates decrease by 1%	5,000	(8,000)	4,600	(10,900)
Interest rates increase by 1%	(5,000)	7,700	(4,600)	10,400

### D2.2 Foreign exchange risk

Foreign exchange risk is the risk that fluctuations in exchange rates will adversely impact the Group's results.

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

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Australian dollars at the foreign exchange rate applicable for that date. Foreign exchange differences arising on translation are recognised in the consolidated income statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at foreign exchange rates at the dates the fair value was determined.

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

### Foreign exchange risk exposure

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

Thousands of dollars (Australian dollar equivalent amounts)	2017				
	US Dollar	NZ Dollar	Philippine Peso	Australian Dollar	Total
Bank facilities	-	(302,149)	-	(406,500)	(708,649)
Cash and cash equivalents	21,909	8,854	-	13,758	44,521
Trade receivables	186,358	8,928	-	738,021	933,307
Trade payables	(1,316,461)	(22,824)	-	(367,267)	(1,706,552)
Forward exchange contracts (forwards, swaps and options)	(9,888)	-	975	-	(8,913)
Crude and finished product swap and futures contracts	(30,644)	-	-	-	(30,644)

## Notes to the Financial Statements

### D Capital, funding and risk management continued

FOR THE YEAR ENDED 31 DECEMBER 2018

#### D2 Risk management continued

##### D2.2 Foreign exchange risk continued

###### Management of foreign exchange risk

Foreign exchange contracts (forwards, swaps and options) are used to economically hedge foreign currency exposure in accordance with Group Treasury Policy. The Group also enters into foreign exchange contracts to cover major capital expenditure items. As at 31 December 2018, the total fair value of all outstanding foreign exchange contracts (forwards, swaps and options) amounted to a \$5,787,000 gain (2017: \$8,913,000 loss).

###### Foreign exchange rate sensitivity analysis

At 31 December 2018, had the Australian dollar strengthened/weakened by 10% against the following currencies respectively (with all other variables held constant), the impact on post-tax profit for the year for the Group and equity would have been:

Thousands of dollars	2018		2017	
	Post-tax profit	Equity	Post-tax profit	Equity
AUD strengthens against US Dollar 10%	7,800	-	(8,000)	(100)
AUD weakens against US Dollar 10%	(9,600)	-	9,700	200
AUD strengthens against NZ Dollar 10%	-	12,500	-	13,200
AUD weakens against NZ Dollar 10%	-	(15,200)	-	(16,200)
AUD strengthens against Philippine Peso 10%	-	(12,300)	-	(1,000)
AUD weakens against Philippine Peso 10%	-	15,000	-	8,600

##### D2.3 Commodity price risk

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

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

In 2018 and 2017, Caltex's policy has been not to hedge refiner margins. As at 31 December 2018, the total fair value of all outstanding crude and finished product swap and futures contracts amounted to a \$55,983,000 gain (2017: \$30,644,000 loss).

###### Commodity price sensitivity analysis

At 31 December 2018, 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:

Thousands of dollars	2018		2017	
	Post-tax profit	Hedge reserve	Post-tax profit	Hedge reserve
Commodity prices decrease 10%	32,400	-	35,200	-
Commodity prices increase 10%	(26,200)	-	(35,200)	-

##### D2.4 Credit risk

###### Customer credit risk

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

The credit risk on financial assets of the Group which have been recognised on the consolidated balance sheet is the carrying amount of trade debtors, 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.

Caltex has reviewed the historic bad debt provision balances and write-offs in accordance with the changes in AASB 9 and has determined that there is no material adjustment upon adoption. Expected customer credit losses are assessed on a portfolio basis between small business individuals and bulk fuel customers.

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 could be in the form of a registered personal property security interest over the customer's business and mortgages over the business property. Bank guarantees, other contingent instruments or insurance bonds are also provided in some cases.

### Financial institution credit risk

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

Interest rate swaps, foreign exchange contracts (forwards, swaps and options), crude and finished product swap and futures contracts, bank guarantees and other contingent instruments are subject to credit risk in relation to the relevant counterparties, which are principally large relationship banks.

The maximum credit risk exposure on foreign exchange contracts, crude and finished product swap and futures contracts, bank guarantees and other contingent instruments is the fair value amount that Caltex receives when settlement occurs, should the counterparty fail to pay the amount which it is committed to pay the Group.

The credit risk on interest rate swaps is limited to the positive mark to market amount to be received from counterparties over the life of contracts that are favourable to the Group.

### D2.5 Liquidity risk management

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

Due to the dynamic nature of the underlying business, the liquidity risk policy requires maintaining sufficient cash and an adequate amount of committed credit facilities to be held above the forecast requirements of the business.

The Group manages liquidity risk centrally by monitoring cash flow forecasts, and maintaining adequate cash reserves and debt facilities. The debt portfolio is periodically reviewed to ensure there is funding flexibility across an appropriate maturity profile.

The tables below set out the contractual timing of cash flows on derivative and non-derivative financial assets and liabilities at the reporting date, including drawn borrowings and interest.

Thousands of dollars	2018			2017		
	Derivative financial liabilities	Derivative financial assets	Net derivative financial (liabilities) /assets	Derivative financial liabilities	Derivative financial assets	Net derivative financial (liabilities) /assets
<b>Derivative financial instruments</b>						
Less than one year	(858,268)	863,835	5,567	(799,166)	787,728	(11,438)
One to five years	(12,943)	13,356	412	(559)	1,106	547
Over five years	(4,617)	4,362	(255)	-	-	-
			5,724			(10,891)

Thousands of dollars	2018	2017
	Net other financial liabilities	Net other financial liabilities
<b>Non-derivative financial instruments</b>		
Less than one year	(1,983,389)	(2,041,587)
One to five years	(525,025)	(599,514)
Over five years	(393,000)	-
	(2,901,413)	(2,641,101)

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

Thousands of dollars	2018	2017
<b>Financing arrangements</b>		
Expiring within one year	-	-
Expiring beyond one year	1,390,262	953,664
	1,390,262	953,664

## Notes to the Financial Statements

### D Capital, funding and risk management continued

FOR THE YEAR ENDED 31 DECEMBER 2018

#### D3 Capital management

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

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

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

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

Thousands of dollars	2018	2017
Total interest-bearing liabilities	961,335	858,921
Less: cash and cash equivalents	(6,142)	(44,521)
Net debt	955,193	814,400
Total equity	3,389,064	3,107,901
Total capital	4,344,257	3,922,301
Gearing ratio	22.0%	20.8%

#### D4 Fair value of financial assets and liabilities

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

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

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

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

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

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)				
	Carrying amount	Fair value total	Quoted market price (Level 1)	Observable inputs (Level 2)	Non-market observable inputs (Level 3)
<b>31 December 2018</b>					
Interest-bearing liabilities					
Bank facilities <sup>(i)</sup>	(660,596)	(657,282)	-	(657,282)	-
Capital market borrowings <sup>(ii)</sup>	(300,575)	(304,589)	-	(304,589)	-
Lease liabilities <sup>(iii)</sup>	(164)	(161)	-	(161)	-
Derivatives					
Interest rate swaps <sup>(iv)</sup>	(550)	(550)	-	(550)	-
Foreign exchange contracts (forwards, swaps and options) <sup>(iv)</sup>	5,787	5,787	-	5,787	-
Crude and finished product swap and futures contracts <sup>(iv)</sup>	55,983	55,983	12,229	43,754	-
<b>Total</b>	<b>(900,115)</b>	<b>(900,812)</b>	<b>12,229</b>	<b>(913,041)</b>	<b>-</b>



Thousands of dollars		Asset/(Liability)			
31 December 2017	Carrying amount	Fair value total	Quoted market price (Level 1)	Observable inputs (Level 2)	Non-market observable inputs (Level 3)
Interest-bearing liabilities					
Bank facilities <sup>(i)</sup>	(708,649)	(707,948)	-	(707,948)	-
Capital market borrowings <sup>(ii)</sup>	(149,923)	(156,107)	-	(156,107)	-
Lease liabilities <sup>(iii)</sup>	(349)	(372)	-	(372)	-
Derivatives					
Interest rate swaps <sup>(iv)</sup>	(1,000)	(1,000)	-	(1,000)	-
Foreign exchange contracts (forwards, swaps and options) <sup>(iv)</sup>	(8,913)	(8,913)	-	(8,913)	-
Crude and finished product swap and futures contracts <sup>(iv)</sup>	(30,644)	(30,644)	-	(30,644)	-
<b>Total</b>	<b>(899,478)</b>	<b>(904,984)</b>	<b>-</b>	<b>(904,984)</b>	<b>-</b>

#### Estimation of fair values

(i) Bank facilities

The fair value of bank facilities is estimated as the present value of future cash flows using the applicable market rate.

(ii) Capital market borrowings

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

(iii) Lease liabilities

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

(iv) Derivatives

*Interest rate swaps*

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

*Foreign exchange contracts (forwards, swaps and options)*

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

*Crude and finished product swap and futures contracts*

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

## Notes to the Financial Statements

### D Capital, funding and risk management continued

FOR THE YEAR ENDED 31 DECEMBER 2018

#### D4 Fair value of financial assets and liabilities continued

##### D4.1 Master netting or similar agreements

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

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

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

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

2017					
Thousands of dollars (Australian dollar equivalent amounts)	Gross Amount	Amount offset in the balance sheet	Amount in the balance sheet	Related amount not offset	Net Amount
Derivative financial assets	40,562	(39,395)	1,167	(1,167)	-
Buy sell arrangements	281,580	(270,675)	10,905	-	10,905
Total financial assets	322,142	(310,070)	12,072	(1,167)	10,905
Derivative financial liabilities	(81,119)	39,395	(41,724)	1,167	(40,557)
Buy sell arrangements	(308,487)	270,675	(37,812)	-	(37,812)
Total financial liabilities	(389,606)	310,070	(79,536)	1,167	(78,369)

#### D5 Issued capital

Thousands of dollars	2018	2017
<b>Ordinary shares</b>		
Shares on issue at beginning of period – fully paid	524,944	524,944
Shares on issue at end of period – fully paid	524,944	524,944

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

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 for further detail). For each right that vests, Caltex intends to purchase a share on market following vesting.

## Notes to the Financial Statements

### E Taxation

FOR THE YEAR ENDED 31 DECEMBER 2018

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	2018	2017
<b>Current tax expense:</b>		
Current year	<b>154,918</b>	226,065
Adjustments for prior years	<b>(6,332)</b>	2,958
	<b>148,586</b>	229,023
<b>Deferred tax benefit:</b>		
Origination and reversal of temporary differences	<b>61,712</b>	21,325
Adjustments for prior years	<b>9,012</b>	(7,654)
	<b>70,724</b>	13,671
Total income tax expense in the income statement	<b>219,310</b>	242,694

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

Thousands of dollars	2018	2017
Profit before income tax expense	<b>780,900</b>	863,446
Income tax using the domestic corporate tax rate of 30% (2017: 30%)	<b>234,270</b>	259,034
Effect of tax rates in foreign jurisdictions	<b>(5,981)</b>	(6,204)
(Decrease) in income tax expense due to:		
Share of net profit of associated entities	<b>(3,040)</b>	45
Capital tax losses utilised for which no deferred tax asset was recognised	<b>(6,624)</b>	(3,697)
Research and development allowances	<b>(850)</b>	(850)
Other	<b>(1,145)</b>	(938)
Income tax over-provided in prior years	<b>2,680</b>	(4,696)
Total income tax expense in the income statement	<b>219,310</b>	242,694

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

#### Taxation of Singaporean entities

At the date of this report, the Australian Taxation Office (ATO) had not 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 and recognised tax liabilities for 2014 to date based on the income tax rate of 30%, being the Australian corporate income tax rate. The Singaporean corporate income tax rate is 17%; however due to some of the Group's Singaporean entities' status as Global Trader Companies, specified income of those entities is subject to a lower tax rate. The cumulative tax expense for the differential between the Australian and Singapore tax rates recognised in the Financial Statements from 2014 to 31 December 2018 is \$131m. Under an administrative agreement made with the ATO 50% of the differential between the earnings taxable under the Australian and Singaporean taxation rates has been paid pending resolution of the matter. As a result, as at 31 December 2018 50% of this amount (\$65 million) is recognised in current tax payable in relation to this matter. If the outcome of the ATO's decision is in Caltex's favour, an amount of income tax expense recognised to date could be written back in future periods. If the tax matter is resolved such that the ATO's position is sustained, there would be no impact on the Caltex income statement or net assets.

#### E2 Deferred tax

Deferred tax is recognised using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Subject to the comments contained in Note F2, 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.

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.

## Notes to the Financial Statements

## E Taxation continued

FOR THE YEAR ENDED 31 DECEMBER 2018

## E2 Deferred tax continued

## E2.1 Movement in deferred tax

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

Thousands of dollars Asset/(Liability)	Balance at 1 Jan 17	Recognised in income	Recognised in equity	Acquired in business combination	Balance at 31 Dec 17
Receivables	113	24	-	-	137
Inventories	(1,281)	6,127	-	364	5,210
Property, plant and equipment and intangibles	65,234	(30,110)	-	20,155	55,279
Payables	12,484	22,043	-	16	34,543
Interest-bearing liabilities	3,494	255	(22)	-	3,727
Provisions	160,925	(14,636)	(1,056)	138	145,371
Tax value of recognised tax losses	6	(6)	-	-	-
Other	(2,892)	2,632	20	46	(194)
Net deferred tax asset	238,083	(13,671)	(1,058)	20,719	244,073

\* Refer to Note A4 for further information.

## E2.2 Deferred tax recognised directly in equity

Thousands of dollars	2018	2017
Related to actuarial gains	838	(1,056)
Related to derivatives	568	(22)
Related to change in fair value of net investment hedges	1,670	-
Related to foreign operations – foreign currency translation differences	(212)	20
	2,864	(1,058)

## E2.3 Unrecognised deferred tax assets

Thousands of dollars	2018	2017
Capital tax losses	89,982	108,990

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

## Notes to the Financial Statements

### F Group structure

FOR THE YEAR ENDED 31 DECEMBER 2018

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

#### F1 Controlled entities

Controlled entities are those entities controlled by the 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 2018:

Name	Note	% interest	
		2018	2017
<b>Companies</b>			
Ampol Bendigo Pty Ltd	(iii)	100	100
Ampol International Holdings Pte Ltd.	(ii)	100	100
Ampol Management Services Pte Ltd.	(ii)	100	100
Ampol Procurement Services Pte. Ltd.	(ii)	100	100
Ampol Property (Holdings) Pty Ltd	(iii)	100	100
Ampol Refineries (Matrville) Pty Ltd		100	100
Ampol Road Pantry Pty. Limited		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. Limited		100	100
Brisbane Airport Fuel Services Pty Limited		100	100
CAL Group Holdings NZ Limited	(v)	100	100
Calgas Pty Ltd		100	100
Calstores Pty Ltd	(iii)	100	100
Caltex Australia Custodians Pty Limited	(iii)	100	100
Caltex Australia Management Pty Ltd	(iii)	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
Centipede Holdings Pty Limited		100	100
Circle Petroleum (Q'land) Pty. Limited		100	100
Cocks Petroleum Pty Limited		100	100
Cooper & Dysart Pty Ltd		100	100
Graham Bailey Pty Ltd	(iii)	100	100
Gull New Zealand Limited	(v)	100	100
Hanietee Pty. Limited	(iii)	100	100
Hunter Pipe Line Company Pty Limited	(iii)	100	100

## Notes to the Financial Statements

## F Group structure continued

FOR THE YEAR ENDED 31 DECEMBER 2018

## F1 Controlled entities continued

Name	Note	% interest	
		2018	2017
Jayvee Petroleum Pty Ltd		100	100
Jet Fuels Petroleum Distributors Pty. Ltd.	(iii)	100	100
Link Energy Pty Ltd		100	100
Manworth Proprietary Limited		100	100
Newcastle Pipe Line Company Pty Limited	(iii)	100	100
Northern Marketing Management Pty Ltd		100	100
Northern Marketing Pty Ltd	(iii)	100	100
Octane Insurance Pte Ltd	(ii)	100	100
Pilbara Fuels Pty Ltd		100	100
R & T Lubricants Pty Ltd	(iii)	100	100
Real FF Pty Ltd	(iii)	100	100
Ruzack Nominees Pty. Ltd.		100	100
Sky Consolidated Property Pty Ltd	(ix)	100	-
Solo Oil Australia Proprietary Limited		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. Limited		100	100
South East Queensland Fuels Pty. Ltd.		100	100
Sydney Metropolitan Pipeline Pty Ltd	(iv)	60	60
Teraco Pty Ltd	(iv)	50	50
Terminals New Zealand Limited	(v)	100	100
Tulloch Petroleum Services Pty. Ltd.	(iii)	100	100
Western Fuel Distributors Pty Ltd	(iv)	50	50
Zeal Achiever Limited	(xi)	100	100
<b>Unit trusts</b>			
Caltex Real Estate Investment Trust	(x)	100	-
Eden Equity Unit Trust	(vi)	100	100
Petroleum Leasing Unit Trust	(vii)	100	100
Petroleum Properties Unit Trust	(vii)	100	100
South East Queensland Fuels Unit Trust	(viii)	100	100

- (i) All companies are incorporated in Australia, except where noted otherwise.
- (ii) Incorporated in Singapore.
- (iii) These companies are parties to a Deed of Cross Guarantee dated 22 December 1992 as amended, varied and restated (DOCG) with Caltex and each other. Caltex Australia Management Pty Ltd was acceded on 29 June 2018 and Caltex Australia Custodians Pty Ltd was acceded on 26 October 2018.
- (iv) 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) Incorporated in New Zealand.
- (vi) Caltex Petroleum Services Pty Ltd is the sole unit holder.
- (vii) Solo Oil Pty Ltd is the sole unit holder.
- (viii) Caltex Australia Petroleum Pty Ltd and Caltex Petroleum Services Pty Ltd each own half of the units in this trust.
- (ix) Incorporated on 23 October 2018.
- (x) Australian Petroleum Marine Pty Ltd is the sole unit holder.
- (xi) Incorporated in the British Virgin Islands on 16 November 2017.

### F1.1 Deed of Cross Guarantee

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

Thousands of dollars	2018	2017
Revenue	<b>19,766,085</b>	20,104,855
Cost of goods sold – historical cost	<b>(17,978,686)</b>	(18,189,919)
<b>Gross profit</b>	<b>1,787,399</b>	1,914,936
Other income	<b>12,555</b>	2,073
Other expense	<b>(17,291)</b>	(43,000)
Operating expenses	<b>(1,024,009)</b>	(1,122,313)
Finance costs	<b>(49,202)</b>	(66,900)
Share of profit of equity-accounted investees	<b>10,133</b>	(151)
<b>Profit before income tax expense</b>	<b>719,585</b>	684,646
Income tax expense	<b>(138,153)</b>	(211,810)
<b>Net profit</b>	<b>581,432</b>	472,836
Other comprehensive income for the period, net of income tax	<b>(3,300)</b>	2,534
<b>Total comprehensive income for the period</b>	<b>578,132</b>	475,370
Retained earnings at the beginning of the year	<b>2,408,788</b>	2,225,596
Current year earnings	<b>581,432</b>	472,836
Movement in reserves	<b>(1,955)</b>	2,463
Dividends provided for or paid	<b>(307,757)</b>	(292,107)
<b>Retained earnings at the end of the year</b>	<b>2,680,508</b>	2,408,788

## Notes to the Financial Statements

## F Group structure continued

FOR THE YEAR ENDED 31 DECEMBER 2018

## F1 Controlled entities continued

## F1.1 Deed of Cross Guarantee continued

## Balance sheet for entities covered by the Deed of Cross Guarantee

Thousands of dollars	2018	2017
<b>Current assets</b>		
Cash and cash equivalents	-	13,432
Receivables	659,186	618,516
Inventories	1,003,915	922,355
Other	184,707	130,392
<b>Total current assets</b>	<b>1,847,808</b>	1,684,695
<b>Non-current assets</b>		
Receivables	8,081	10,887
Investments accounted for using the equity method	147,442	11,360
Property, plant and equipment	2,772,013	2,713,392
Intangibles	266,235	246,104
Deferred tax assets	188,427	233,313
Employee benefits	1,721	3,233
Other	70,552	20,120
<b>Total non-current assets</b>	<b>3,454,471</b>	3,238,409
<b>Total assets</b>	<b>5,302,279</b>	4,923,104
<b>Current liabilities</b>		
Bank overdraft	9,908	-
Payables	785,130	732,274
Interest bearing liabilities	146,339	202,124
Current tax liabilities	15,523	86,086
Employee benefits	85,639	93,677
Provisions	59,242	102,413
<b>Total current liabilities</b>	<b>1,101,781</b>	1,216,574
<b>Non-current liabilities</b>		
Payables	41,686	10,855
Interest bearing liabilities	667,520	500,052
Employee benefits	39,667	37,318
Provisions	251,581	251,353
<b>Total non-current liabilities</b>	<b>1,000,454</b>	799,578
<b>Total liabilities</b>	<b>2,102,235</b>	2,016,152
<b>Net assets</b>	<b>3,200,044</b>	2,906,952
<b>Equity</b>		
Issued capital	524,942	524,942
Treasury stock	(2,462)	(1,210)
Reserves	(2,944)	(25,568)
Retained earnings	2,680,508	2,408,788
<b>Total equity</b>	<b>3,200,044</b>	2,906,952



## F2 Business combinations

### 2018

There were no material business combinations during the year ended 31 December 2018.

### 2017

#### Gull New Zealand

On 22 December 2016, Caltex entered into an agreement to purchase Gull New Zealand for NZ\$340 million (A\$329 million). The acquisition delivers on Caltex's strategic plan as it optimises Caltex's infrastructure position, builds trading and shipping capability, grows the supply base and enhances Caltex's retail fuel offering through low-risk entry into a new market.

The acquisition was completed on 3 July 2017 and had the following effect on the Group's assets and liabilities:

Thousands of dollars	Recognised values
Intangibles	37,896
Property, plant and equipment	67,098
Inventories	30,987
Other assets	8,190
Liabilities	(37,815)
Net identifiable assets and liabilities	106,356
Goodwill on acquisition	222,728
Consideration transferred	(329,871)
Cash acquired	787
Net cash outflow	(329,084)

#### Milemaker Petroleum

On 4 November 2016, Caltex entered into an agreement to purchase Milemaker Petroleum's retail fuel business assets in Victoria for \$95 million. The acquisition secured Caltex's existing network in Victoria and provides a stronger platform from which to provide new and improved customer offerings in the convenience marketplace.

The acquisition was completed on 8 May 2017 and had the following effect on the Group's assets and liabilities:

Thousands of dollars	Recognised values
Property, plant and equipment	10,220
Inventories	3,888
Deferred tax assets	25,141
Liabilities	(3,621)
Net identifiable assets and liabilities	35,628
Goodwill on acquisition	59,717
Consideration paid, satisfied in cash	(95,345)
Net cash outflow	(95,345)

As part of the acquisition of Milemaker, a deferred tax asset was recognised in respect of future deductible amounts. This deferred tax asset reduces the goodwill on acquisition.

## Notes to the Financial Statements

## F Group structure continued

FOR THE YEAR ENDED 31 DECEMBER 2018

## F2 Business combinations continued

## Nashi Sandwich and Coffee Bar

Caltex acquired Nashi Sandwich and Coffee Bar, a Melbourne-based high street retailer with nine outlets. The acquisition was completed on 9 March 2017 and had the following effect on the Group's assets and liabilities:

Thousands of dollars	Recognised values
Property, plant and equipment	781
Inventories	162
Liabilities	(1,363)
Net identifiable assets and liabilities	(420)
Goodwill on acquisition	3,067
Consideration paid, satisfied in cash	(2,658)
Cash acquired	11
Net cash outflow	(2,647)

## 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

Name	% interest	
	2018	2017
<b>Investments in associates and joint ventures</b>		
Airport Fuel Services Pty. Limited	40	40
Australasian Lubricants Manufacturing Company Pty Ltd <sup>(i)</sup>	50	50
Cairns Airport Refuelling Service Pty Ltd <sup>(iii)</sup>	33.33	33.33
Car Next Door Australia Pty Ltd	20	20
Event Group Holdings Pty Limited <sup>(ii)</sup>	-	49
Event Group Holdings Unit Trust <sup>(ii)</sup>	-	49
Geraldton Fuel Company Pty Ltd	50	50
Kitchen Food Company Pty Limited <sup>(ii)</sup>	-	49
Kitchen Food Company Unit Trust <sup>(ii)</sup>	-	49
SEAOIL Philippines Inc. <sup>(iv)</sup>	20	-

(i) Australasian Lubricants Manufacturing Company Pty Ltd ceased joint venture operations on 17 April 2015.

(ii) Caltex divested on 14 November 2018.

(iii) Caltex increased interest to 33.33% with effect from 28 December 2017.

(iv) Caltex acquired interest on 1 March 2018.

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

### F3.2 Investments in associates

Thousands of dollars	Revenue (100%)	Profit (100%)	Share of associates net profit recognised	Total assets (100%)	Total liabilities (100%)	Net assets as reported by associates (100%)	Share of associates net assets equity accounted	Elimination of unrealised loss in inventories	Goodwill	Total Share of associates net assets equity accounted
<b>2018</b>	<b>1,447,427</b>	<b>46,488</b>	<b>10,133</b>	<b>486,919</b>	<b>279,625</b>	<b>207,294</b>	<b>48,258</b>	<b>(176)</b>	<b>98,591</b>	<b>146,673</b>
2017	150,167	65	(151)	56,526	43,127	13,399	10,478	(27)	140	10,591
<b>Thousands of dollars</b>								<b>2018</b>	<b>2017</b>	
<b>Results of associates</b>										
Share of associates' profit before income tax expense								<b>11,922</b>		221
Share of associates' income tax expense								<b>(1,613)</b>		(345)
Share of associates' net profit								<b>10,309</b>		(124)
Unrealised loss in inventories								<b>(176)</b>		(27)
Share of associates' net profit – equity accounted								<b>10,133</b>		(151)
<b>Commitments</b>										
Share of associates' operating lease commitments not provided for in the financial report and payable:										
Within one year								<b>2,058</b>		394
Between one and five years								<b>7,815</b>		1,969
Over five years								<b>6,301</b>		-
								<b>16,174</b>		2,363
Share of associates' finance lease commitments not provided for in the financial report and payable:										
Within one year								<b>811</b>		750
Between one and five years								<b>1,495</b>		1,551
								<b>2,306</b>		2,301
Future finance charges								<b>(152)</b>		(173)
								<b>2,154</b>		2,128

### 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
<b>2018</b>	<b>9,829</b>	-	-	<b>4,231</b>	<b>2,308</b>	<b>1,923</b>	<b>769</b>
2017	9,426	-	-	4,046	2,123	1,923	769
<b>Thousands of dollars</b>						<b>2018</b>	<b>2017</b>
<b>Joint ventures' assets and liabilities</b>							
Current assets						<b>2,233</b>	1,660
Non-current assets						<b>1,998</b>	2,386
Total assets						<b>4,231</b>	4,046
Current liabilities						<b>2,308</b>	2,123
Non-current liabilities						-	-
Total liabilities						<b>2,308</b>	2,123
<b>Commitments</b>							
Share of joint ventures' operating lease commitments not provided for in the financial report and payable:							
Within one year						-	-
Between one and five years						-	-
						-	-

## Notes to the Financial Statements

### F Group structure continued

FOR THE YEAR ENDED 31 DECEMBER 2018

#### F3 Equity-accounted investees continued

##### F3.4 Reconciliation to income statement

Thousands of dollars	2018	2017
Share of net profit/(loss) of associates accounted for using the equity method	10,133	(151)
Share of net profit of joint ventures accounted for using the equity method	-	-
	10,133	(151)

##### F3.5 Reconciliation to balance sheet

Thousands of dollars	2018	2017
Investment in associates accounted for using the equity method	146,673	10,591
Investment in joint ventures accounted for using the equity method	769	769
	147,442	11,360

#### 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 (JUHLs), which are based at airports across Australia. The Group's interest in the JUHLs ranges from 20% to 50%. The principal activity of the JUHLs is refuelling aircraft at the airports. For the year ended 31 December 2018, the contribution of the JUHLs to the operating profit of the Group was nil (2017: 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	2018	2017
<b>Non-current assets</b>		
Plant and equipment	77,048	65,895
Less: accumulated depreciation	(40,557)	(38,645)
<b>Total non-current assets</b>	<b>36,491</b>	27,250
<b>Total assets</b>	<b>36,491</b>	27,250

#### F5 Parent entity disclosures

As at, and throughout, the financial year ended 31 December 2018, the parent entity of the Group was Caltex Australia Limited.

Thousands of dollars	2018	2017
<b>Result of the parent entity</b>		
Profit for the period	423,279	269,942
Other comprehensive (loss)/income	(7,629)	1,407
Total comprehensive income for the period	415,650	271,349
<b>Financial position of parent entity at year end</b>		
Current assets	8,638	11,836
Total assets	2,098,646	1,859,326
Current liabilities	119,771	144,939
Total liabilities	1,506,146	1,388,984
<b>Total equity of the parent entity comprising:</b>		
Issued capital	378,505	378,505
Treasury stock	(2,462)	(1,210)
Reserves	(16,880)	(25,339)
Retained earnings	233,337	118,386
Total equity	592,500	470,342

#### 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.

## Notes to the Financial Statements

### G Other information

FOR THE YEAR ENDED 31 DECEMBER 2018

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	2018	2017
Capital expenditure contracted but not provided for in the financial report and payable	<b>11,970</b>	16,645

##### 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.

Thousands of dollars	2018			2017		
	Minimum lease payments	Interest	Principal	Minimum lease payments	Interest	Principal
Within one year	<b>164</b>	<b>7</b>	<b>157</b>	219	27	192
Between one and five years	-	-	-	164	7	157
	<b>164</b>	<b>7</b>	<b>157</b>	383	34	349

The Group leases plant and equipment under finance leases expiring within one year. No contingent rentals were paid during the year (2017: 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	2018	2017
<b>Non-cancellable operating leases – Group as lessee</b>		
Future minimum rentals payable:		
Within one year	<b>167,327</b>	158,685
Between one and five years	<b>446,727</b>	418,624
After five years	<b>596,108</b>	581,671
	<b>1,210,162</b>	1,158,980

The Group holds operating leases expiring from one to 34 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 \$680,839 were paid during the year (2017: \$626,018).

The expense recognised in the income statement during the year in respect of operating leases is \$184,631,000 (2017: \$193,594,000).

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.

## Notes to the Financial Statements

### G Other information continued

FOR THE YEAR ENDED 31 DECEMBER 2018

#### G1 Commitments continued

##### G1.2 Leases continued

Thousands of dollars	2018	2017
<b>Non-cancellable operating leases – Group as lessor</b>		
Future minimum rentals receivable:		
Within one year	<b>32,933</b>	5,335
Between one and five years	<b>60,126</b>	124,754
After five years	<b>8,643</b>	22,405
	<b>101,702</b>	152,494

The Group has granted operating leases expiring from one to 12 years. Some of the leased properties have been sublet by the Group. The leases and subleases expire between 2019 and 2030.

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 \$5,628,000 (2016: \$5,744,000).

##### Deed of Cross Guarantee and class order relief

Details of the Deed of Cross Guarantee are disclosed in Note F1.

#### G3 Related party disclosures

##### Associates

On 1 March 2018, Caltex Australia Limited acquired a 20% equity interest in SEAOIL Philippines Inc. The strategic partnership with SEAOIL offers Caltex Australia the ability to increase the scale and scope of its Singapore-based fuel sourcing and shipping operations. Transactions with SEAOIL Philippines are summarised below.

The Group sold petroleum products to SEAOIL Philippines Inc. of \$438,300,000. As at 31 December 2018, the Group had sales receivables from SEAOIL Philippines Inc. of \$86,541,000.

In 2018, the Group sold petroleum products to associates totalling \$126,367,000 (2017: \$117,716,000). The Group received income from associates for rental income of \$934,000 (2017: \$593,000).

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 \$400,000 (2017: \$300,000).

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 and the operation of convenience stores. There were no material related party transactions with Caltex's joint venture entities during 2018 (2017: 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 2018 and 2017 were:

### Current Directors

- Steven Gregg, Chairman and Independent, Non-executive Director (from 18 August 2017)
- Julian Segal, Managing Director and CEO
- Trevor Bourne, Independent Non-executive Director
- Mark Chellew, Independent Non-executive Director (from 2 April 2018)
- Melinda Conrad, Independent Non-executive Director
- Bruce Morgan, Independent Non-executive Director
- Barbara Ward AM, Independent Non-executive Director
- Penny Winn, Independent Non-executive Director

### Former Directors

- Greig Gailey, Chairman and Independent, Non-executive Director (to 18 August 2017)

### Senior executives

- Julian Segal, Managing Director and CEO
- Simon Hepworth, Chief Financial Officer
- Richard Pearson, Executive General Manager, Convenience Retail (from 1 August 2017)
- Louise Warner, Executive General Manager, Fuels and Infrastructure

### Former executives

- Bruce Rosengarten, Executive General Manager, Commercial (to 1 April 2017)

### Key management personnel compensation

Dollars	2018	2017
Short term benefits	9,571,817	9,106,401
Other long term benefits	118,690	38,810
Post-employment benefits	367,468	378,540
Termination benefits	-	615,198
Share based payments	2,422,616	3,172,575
	<b>12,480,591</b>	<b>13,311,524</b>

Information regarding Directors' and executives' compensation and some equity instruments disclosures is provided in the Remuneration Report section of the Directors' Report. The 2017 key management personnel compensation has been updated to reflect the current key management personnel of the Caltex Group in 2018; refer to the Remuneration Report for further details.

### Performance rights

Since 1 January 2008, 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 a comparator group.

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 (\$)
<b>2018</b>											
555,859	4 Apr 18	421,720	22.79	4 Apr 18	(47,900)	31.42	Q1 2018	(271,945)	-	609,189	3,418,194
209,964	18 May 18	133,275	21.60				Q2 2018	(18,260)	-	406,189	3,654,954
412,993							Q3 2018	(16,118)	-	311,555	6,317,089
							Q4 2018	(52,655)	-		
<b>1,178,816</b>		<b>554,995</b>			<b>(47,900)</b>			<b>(358,978)</b>		<b>1,326,933</b>	<b>13,390,237</b>
<b>2017</b>											
583,894	4 Apr 17	349,779	13.25	4 Apr 17	(330,759)	29.39	Q1 2017	(723)	-	555,859	7,486,055
206,708	4 Apr 17	233,186	28.76				Q2 2017	(225,947)	-	209,964	5,715,750
505,661							Q3 2017	(64,451)	-	412,993	9,296,085
							Q4 2017	(78,532)	-		
<b>1,296,263</b>		<b>582,965</b>			<b>(330,759)</b>			<b>(369,653)</b>		<b>1,178,816</b>	<b>22,497,890</b>

For information regarding the inputs used in the measurement of the fair values at each grant date, please refer to table 6 of the Remuneration Report on page 64 of the Directors' Report.

## Notes to the Financial Statements

### G Other information continued

FOR THE YEAR ENDED 31 DECEMBER 2018

#### 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	2018	2017
Cash at bank	6,142	44,521
Total cash and cash equivalents	6,142	44,521

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

Thousands of dollars	2018	2017
Net profit	561,590	620,752
Adjustments for:		
Net gain on sale of property, plant and equipment	(12,555)	(2,073)
Impairment of Kitchen Food Co and related receivables	13,060	-
Finance charges on finance leases	27	-
Interest paid capitalised	(287)	(2,467)
Amortisation of finance costs	1,641	2,359
Depreciation/amortisation of property, plant and equipment	223,976	204,946
Amortisation and impairment of intangibles	28,372	24,217
Treasury stock movements net of expense	2,814	(7,083)
Share of associates' and joint ventures' net profit	(10,859)	(966)
Movements in assets and liabilities:		
(Increase) in receivables	(258,799)	(183,167)
Decrease/(increase) in inventories	78,790	(575,155)
Decrease/(increase) in other assets	(32,203)	26,843
Increase in payables	66,431	671,191
(Decrease)/increase in current tax balances	(79,311)	(14,788)
Decrease in deferred tax assets	62,778	18,093
Decrease in provisions	(48,961)	(47,670)
Net operating cash inflows	596,504	735,032

#### G6 Auditor remuneration

Dollars	2018	2017
Audit services – KPMG Australia, Singapore and New Zealand	1,354,800	1,079,200
Non-audit services – KPMG Australia		
Other assurance services	19,200	5,100
Taxation services and Advisory	73,610	260,000
	1,447,610	1,344,300

#### G7 Net tangible assets per share

Dollars	2018	2017
Net tangible assets per share	10.82	9.88

Net tangible assets are net assets attributable to members of Caltex Australia Limited less intangible assets. The weighted average number of ordinary shares used in the calculation of net tangible assets per share was 261 million (2017: 261 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 2019, 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:

- The Group is currently examining the impacts of AASB 16 Leases ('AASB 16') which applies from 1 January 2019. The Group has selected and implemented a system solution to capture all leases in scope and perform the accounting entries in compliance with all aspects of the new standard. The Group is in the final stages of its assessment determining the impact on its consolidated financial statements.

### Estimated impact on consolidated statement of financial position as at 1 Jan 2019:

#### Thousands of dollars

New lease liabilities	\$850m to \$950m
Right-of-use (ROU) assets	\$850m to \$950m

- The net effect of the new lease liabilities and right-of-use assets, adjusted for deferred tax will be recognised in retained earnings. The impact predominantly relates to the Group's property leases for service stations, terminals, pipelines and wharves.
- To date, the most significant impact identified is that the Group will recognise new ROU assets and lease liabilities for its operating leases of service stations. The nature of the expenses related to those leases will change because AASB 16 replaces the straight-line operating lease expense with a depreciation charge for ROU assets and interest expense on lease liabilities. No significant impact is expected for the Group's finance leases.
- The Group plans to apply IFRS 16 initially on 1 January 2019, using the modified retrospective approach. Therefore the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information.
- The Group plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

## G9 Events subsequent to the end of the year

On 20 February 2019, the Group announced changes to its senior leadership team. Richard Pearson will leave the role of Executive General Manager, Convenience Retail, in March 2019. Caltex announced that Joanne Taylor will then be appointed as the Executive General Manager, Convenience Retail.

On 26 February 2019, the Group announced its intention to conduct an off-market share buy-back of approximately \$260 million, which is expected to be completed in the second quarter of 2019.

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 that have arisen in the period from 31 December 2018 to the date of this report.

## Comparative Financial Information

The additional information on pages 120 to 121 is provided for the information of shareholders.

The information is based on, but does not form part of, the 2018 Financial Report.

Caltex Australia Limited consolidated results	2018	2017	2016	2015	2014
<b>Profit and loss (\$million)</b>					
Historical cost operating profit before interest and income tax expense	<b>829</b>	929	936	815	139
Interest income	<b>3</b>	3	7	5	8
Borrowing costs	<b>(52)</b>	(70)	(80)	(82)	(99)
Historical cost income tax expense	<b>(219)</b>	(243)	(253)	(217)	(28)
Historical cost operating profit after income tax	<b>560</b>	619	610	522	20
<b>Dividends</b>					
Amount paid and payable (\$/share)	<b>1.18</b>	1.21	1.02	1.17	0.70
Times covered HCOP	<b>1.82</b>	1.96	2.29	1.65	0.11
Dividend payout ratio – RCOP basis (excl. significant items) <sup>(i)</sup>	<b>55%</b>	51%	51%	50%	38%
Dividend franking percentage	<b>100%</b>	100%	100%	100%	100%
<b>Other data</b>					
Total revenue (\$m) <sup>(ii)</sup>	<b>21,731</b>	16,286	13,027	15,009	18,970
Earnings per share – HCOP (cents per share)	<b>215</b>	237	232	193	7
Earnings per share – RCOP (cents per share) (excl. significant items) <sup>(iii),(iv)</sup>	<b>214</b>	238	199	233	183
Earnings before interest and tax – replacement cost basis (\$m) (excl. sig items) <sup>(iii)</sup>	<b>826</b>	959	813	977	795
Operating cash flow per share (\$/share)	<b>2.3</b>	2.8	3.6	3.3	2.5
Interest cover – HCOP basis	<b>16.9</b>	13.9	12.9	10.6	1.3
Interest cover – RCOP basis (excl. significant items) <sup>(iii)</sup>	<b>16.8</b>	14.3	11.2	12.7	8.7
Return on capital employed – HCOP basis (%) <sup>(v)</sup>	<b>12.9</b>	15.8	18.7	16.2	0.6
Return on capital employed – RCOP basis (excl. significant items) <sup>(iii),(v)</sup>	<b>12.5</b>	15.6	16.1	20.5	11.1
Equity attributable to members of the company (\$m)	<b>3,376</b>	3,094	2,797	2,776	2,521
Total equity (\$m)	<b>3,389</b>	3,108	2,810	2,788	2,533
Total assets (\$m)	<b>6,728</b>	6,355	5,303	5,105	5,129
Net tangible asset backing (\$/share)	<b>10.82</b>	9.88	9.88	9.60	8.64
Debt (\$m)	<b>961</b>	859	698	695	1,176
Net debt (\$m)	<b>955</b>	814	454	432	639
Net debt to net debt plus equity (%)	<b>22</b>	21	14	13	20

i) Based on reported RCOP NPAT of the time.

ii) All prior periods revenue restated for consistency with current period (product duties and taxes shown on a net basis).

iii) 2017 RCOP NPAT basis restated for consistency with current period, 2016 and prior consistent with reported RCOP NPAT of the time.

iv) Dividend payout ratio – replacement cost of sales operating profit basis calculated as follows:

$$\frac{\text{Dividends paid and payable in respect of financial year}}{\text{RCOP after income tax (excl. significant items)}}$$

v) Return on capital employed is calculated as follows:

$$\frac{\text{Net Profit After Tax}}{\text{Net Debt + Equity}}$$

## 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<sup>(i)</sup>, 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 \$558 million, compared to a profit of \$638 million in 2017.
- 2018 net profit before interest, income tax and significant items on a replacement cost of sales operating profit basis was \$826 million, a decrease of \$133 million over 2017.

RCOP Basis of Accounting	Five years*	2018	2017	2016	2015	2014
Historical cost operating profit before interest and income tax expense	3,648	<b>829</b>	929	936	815	139
Add/(deduct) inventory losses/(gains) <sup>(ii)</sup>	573	<b>(20)</b>	6	(122)	193	516
Significant items expense/(income)	149	<b>17<sup>(iii)</sup></b>	24 <sup>(iv)</sup>	-	(32) <sup>(v)</sup>	140 <sup>(vi)</sup>
Replacement cost of sales operating net profit before interest and income tax expense	4,370	<b>826</b>	959	813	977	795
Net borrowing costs	(356)	<b>(49)</b>	(67)	(73)	(77)	(91) <sup>(vi)</sup>
Replacement cost income tax expense	(1,172)	<b>(218)</b>	(254)	(217)	(272)	(211)
Replacement cost of sales operating profit after income tax <sup>(vii)</sup>	2,842	<b>558</b>	638	524	628	493

\*Note: Totals may not sum due to rounding.

- (i) The replacement cost of sales operating profit basis (RCOP) removes the unintended impact of inventory gains and losses, giving a truer reflection of underlying financial performance. Gains and losses in the value of inventory due to fluctuations in the USD price of crude oil and foreign exchange impacts constitute a major external influence on company profits. RCOP restates profit to remove these impacts. The Caltex RCOP methodology is consistent with the methods used by other refining and marketing companies for restatement of their financials.
- As a general rule, an increase in crude prices on an Australian dollar basis will create an earnings gain for Caltex (but working capital requirements will also increase). Conversely, a drop in crude prices on an Australian dollar basis will create an earnings loss. This is a direct consequence of the first in first out (FIFO) costing process used by Caltex in adherence with accounting standards to produce the financial result on a historical cost basis. With Caltex holding approximately 45 to 60 days of inventory, revenues reflect current prices in Singapore whereas FIFO costings reflect costs some 45 to 60 days earlier. The timing differences creates these inventory gains and losses. To remove the impact of this factor on earnings and to better reflect the underlying performance of the business, the RCOP NPAT methodology calculates the cost of goods sold on the basis of theoretical new purchases instead of actual costs 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 2018, the historical cost result includes \$20 million inventory gain (2017: \$6 million inventory loss).
- (iii) During 2018, significant item expense consists of the loss on exit from Caltex's 49% interest in Kitchen Food Company of \$27 million, offset in relation to the partial writeback of the Franchisee Employee Assistance Fund (\$10 million) resulting in a net impact of \$17 million.
- (iv) Includes net significant items before tax totalling a loss of \$24 million, that have been recognised in the income statement. The significant items are a result of the announced establishment of the Franchisee Employee Assistance Fund (\$20 million), restructuring and redundancy costs associated with the capability and competitiveness project Quantum Leap (\$23 million), offset by the profit on sale of Caltex's fuel oil business and the utilisation of prior period capital losses to partially offset tax expense on the profit on sale.
- (v) 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.
- (vi) 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).
- (vii) 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: 2014: \$160 million expenses before tax (\$112 million after tax); 2015: \$32 million gain before tax (\$29 million after tax); 2016: no significant items were recognised; 2017: \$24 million expenses before tax (\$14 million expenses after tax) and 2018: \$17 million expenses before tax (\$12 million expenses after tax) were recognised.

## Shareholder Information

AS AT 28 FEBRUARY 2019

### Share capital

There are 260,810,519 fully paid ordinary shares on issue, held by 37,912 holders.

### Holders with less than a marketable parcel

392 shareholders hold less than a marketable parcel of \$500 based on a share price of \$28.60 per share.

### Buy-back

On 26 February 2019, Caltex Australia Ltd announced its intention to conduct an off-market share buy-back of approximately \$260 million, which is expected to be completed in the second quarter of 2019.

### Shares purchased on-market

From 1 January 2018, 23,195 fully paid ordinary shares were purchased on-market at an average cost of \$30.72 per share for the purposes of the Caltex Australia Limited Employee Share Plan.

From 1 January 2018, 52,592 fully paid ordinary shares were purchased on-market at an average cost of \$31.51 per share for the purposes of the Caltex Australia Limited Equity Incentive Plan.

### Substantial shareholders

Substantial Shareholder	Number of shares held	% of issued capital
BlackRock Group	15,909,884	6.10%
The Vanguard Group, Inc	13,055,040	5.01%
AustralianSuper Pty Ltd	13,565,239	5.20%

### Shareholder distribution

Range	Total Holders	Units	% of issued capital
1 – 1,000	29,049	11,650,160	4.47
1,001 – 5,000	7,876	16,618,073	6.37
5,001 – 10,000	655	4,734,870	1.82
10,001 – 100,000	291	6,861,266	2.63
Over 100,001	41	220,946,150	84.72
<b>Rounding</b>			<b>-0.01</b>
<b>Total</b>	<b>37,912</b>	<b>260,810,519</b>	<b>100.00</b>

## Top 20 shareholders

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

Rank	Shareholders	Number of shares held	% of issued shares
1	HSBC Custody Nominees (Australia) Limited	107,551,856	41.24
2	J P Morgan Nominees Australia Pty Limited	53,479,542	20.51
3	Citicorp Nominees Pty Limited	20,802,371	7.98
4	National Nominees Limited	10,538,052	4.04
5	BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	6,347,665	2.43
6	BNP Paribas Noms Pty Ltd <DRP>	5,176,408	1.98
7	HSBC Custody Nominees (Australia) Limited <NT-Comnwlth Super Corp A/C>	4,524,843	1.73
8	Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	1,874,507	0.72
9	UBS Nominees Pty Ltd	1,512,453	0.58
10	HSBC Custody Nominees (Australia) Limited-GSCO ECA	957,107	0.37
11	Merrill Lynch (Australia) Nominees Pty Limited	781,814	0.30
12	AMP Life Limited	748,221	0.29
13	UBS Nominees Pty Ltd	598,500	0.23
14	EQT Wealth Services Limited <Common Fund 103 A/C>	445,573	0.17
15	BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd DRP	426,827	0.16
16	Milton Corporation Limited	394,000	0.15
17	National Nominees Limited <DB A/C>	358,588	0.14
18	Bond Street Custodians Limited <Cockej - F01832 A/C>	340,434	0.13
19	Djerriwarrh Investments Limited	312,049	0.12
20	HSBC Custody Nominees (Australia) Limited	291,423	0.11
<b>Totals: Top 20 holders of ORDINARY FULLY PAID SHARES (Total)</b>		<b>217,462,233</b>	<b>83.38</b>
<b>Total Remaining Holders Balance</b>		<b>43,348,286</b>	<b>16.62</b>

## Voting Rights

Shareholders in Caltex Australia Limited have a right to attend and vote at all general meetings in accordance with the company's Constitution, the *Corporations Act 2001* (Cth) and the ASX Listing Rules.

## Corporate Governance Statement

A copy of the Corporate Governance Statement can be found on our website. Visit <https://www.caltex.com.au/our-company/investor-centre/corporate-governance>.

## Australian Securities Exchange

The company's fully paid ordinary shares (ASX:CTX) are listed on the Australian Securities Exchange.

## Company Secretaries

Lyndall Stoyles is appointed as Company Secretary of Caltex Australia Limited.

## Directory

### Head office

#### **Caltex Australia Limited**

ACN 004 201 307

Level 24  
2 Market Street  
Sydney NSW 2000  
Australia

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Sydney NSW 2001  
Australia

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

www.caltex.com.au  
secretariat@caltex.com.au

### Share registry

#### **Computershare Investor Services Pty Limited**

GPO Box 2975  
Melbourne VIC 3001  
Australia

T: 1300 850 505  
(enquiries within Australia)

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

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

### New South Wales

Caltex Banksmeadow terminal  
Penrhyn Road  
Banksmeadow NSW 2019  
Australia

T: +61 2 9695 3600  
F: +61 2 9666 5737

Caltex Kurnell import terminal  
2 Solander Street  
Kurnell NSW 2231  
Australia

T: +61 2 8543 8622

### Queensland/Northern Territory

#### **Caltex Refineries (Qld) Pty Ltd**

ACN 008 425 581

South Street  
Lytton QLD 4178  
Australia

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

Caltex Lytton terminal  
Tanker Street, off Port Drive  
Lytton QLD 4178  
Australia

T: +61 7 3877 7333  
F: +61 7 3877 7464

### Victoria/Tasmania

Caltex Newport terminal  
411 Douglas Parade  
Newport VIC 3015  
Australia

T: +61 3 9287 9555  
F: +61 3 9287 9572

### Western Australia

Level 1  
2 Sabre Crescent  
Jandakot WA 6164  
Australia

T: +61 8 6595 2888  
F: +61 8 9335 3062

### Singapore

Ampol Singapore  
Unit #31-63, Tower 2  
1 Raffles Place  
Singapore 048616

T: +65 6622 0010

### New Zealand

Gull New Zealand  
507 Lake Rd  
Takapuna, Auckland 0622  
New Zealand

T: +64 9 489 1452

### Customer support feedback line

#### **Environmental hotline**

T: 1800 675 487

#### **Complaints, compliments and suggestions**

T: 1800 240 398

#### **Card support centre**

T: 1300 365 096

#### **Lubelink**

T: 1300 364 169



