

Contents

Primary statements

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

A Basis of preparation

B Results for the year

B1 Revenue and other income
B2 Costs and expenses
B3 Segment reporting
B4 Earnings per share
B5 Dividends

C Operating assets and liabilities

C1 Receivables
C2 Inventories
C3 Intangibles
C4 Property, plant and equipment
C5 Payables
C6 Provisions
C7 Employee benefits

D Capital, funding and risk management

D1 Interest bearing liabilities
D2 Risk management
D3 Capital management
D4 Fair value of financial assets and liabilities
D5 Issued capital

E Taxation

E1 Income tax expense
E2 Deferred tax

F Group structure

F1 Controlled entities
F2 Business combinations
F3 Equity accounted investees
F4 Joint venture operations
F5 Parent entity disclosures

G Other information

G1 Commitments
G2 Contingent liabilities
G3 Related party disclosures
G4 Key management personnel
G5 Notes to the cash flow statement
G6 Auditor remuneration
G7 Net tangible assets per share
G8 New standards and interpretations not yet adopted
G9 Events subsequent to the end of the year

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

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

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

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015

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

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

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2015

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015

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

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

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

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

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

NOTES TO THE FINANCIAL STATEMENTS

A BASIS OF PREPARATION

FOR THE YEAR ENDED 31 DECEMBER 2015

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

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

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

The consolidated financial report is prepared on the historical cost basis, except for derivative financial instruments which are measured at fair value, and the defined benefit liability which is recognised as the net total of the plan assets, plus unrecognised past service cost less the present value of the defined benefit obligation.

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

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

The Caltex Group has adopted all the mandatory amended Accounting Standards issued that are relevant to its operations and effective for the current reporting period.

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016, and have not been applied in preparing these consolidated financial statements. Refer to note G8.

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

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

Judgements made by management in the application of AASBs that have a significant effect on the consolidated financial report and estimates with a significant risk of material adjustment in the future financial years are found in the following notes:

- information about the assumptions and the risk factors relating to impairment is described in notes C1 (receivables), C3 (intangibles) and C4 (property, plant and equipment)
- note D2 provides an explanation of the foreign exchange, interest rate and commodity price exposures of the Group and the risk in relation to foreign exchange, interest rate and commodity price movements, and
- note C6 provides key sources of estimation, uncertainty and assumptions used in regard to estimation of provisions.

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

B1 Revenue and other income

Revenue

Sale of goods

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

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

Other revenue

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

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

Other income

Net profit on disposal of property, plant and equipment

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

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

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

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

Significant items

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

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

NOTES TO THE FINANCIAL STATEMENTS
B RESULTS FOR THE YEAR
FOR THE YEAR ENDED 31 DECEMBER 2015

B2 Costs and expenses

Finance costs are recognised as incurred unless they relate to qualifying assets. Qualifying assets are assets which take more than 12 months to get ready for their intended use or sale. In these circumstances, finance costs are capitalised to the cost of the assets. Where borrowings are not specific to an asset, finance costs are capitalised using an average rate based on the general borrowings of the Group.

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

Significant items

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

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

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

B3 Segment reporting

B3.1 Segment disclosures

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

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

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

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

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

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

Cost of goods sold measured on a replacement cost basis

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

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

Types of products and services

The following summary describes the operations in each of the Group's reportable segments:

Supply and Marketing

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

Lytton

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

NOTES TO THE FINANCIAL STATEMENTS
B RESULTS FOR THE YEAR
FOR THE YEAR ENDED 31 DECEMBER 2015

B3 Segment reporting continued

B3.2 Information about reportable segments

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

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

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

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

B3.4 Geographical segments

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

B3.5 Major customer

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

B3.6 Revenue from products and services

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

B4 Earnings per share

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
B RESULTS FOR THE YEAR
 FOR THE YEAR ENDED 31 DECEMBER 2015

B5 Dividends

B5.1 Dividends declared or paid

Dividends recognised in the current year by the company are:

	Date of payment	Franked/ unfranked	Cents per share	Total amount \$'000
2015				
Interim 2015	30 September 2015	Franked	47	126,900
Final 2014	2 April 2015	Franked	50	135,000
Total amount			97	261,900
2014				
Interim 2014	1 October 2014	Franked	20	54,000
Final 2013	3 April 2014	Franked	17	45,900
Total amount			37	99,900

Subsequent events

Since 31 December 2015, the directors declared the following dividend. The dividend has not been provided for and there are no income tax consequences for the Group in relation to 2015.

Final 2015	4 April 2016	Franked	70	189,000
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B5.2 Dividend franking account

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

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

The impact on the dividend franking account of dividends proposed after the balance sheet date but not recognised as a liability, is to reduce the balance by \$81,000,000 (2014: \$57,857,143).

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

C1 Receivables

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

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

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

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

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

Impaired receivables

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

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

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

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

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

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

The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due.

C1 Receivables continued

Fair value and credit risk

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

C2 Inventories

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

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

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

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

C3 Intangibles

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

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

The amortisation charge of \$14,183,000 (2014: \$17,866,000) is recognised in selling and distribution expenses and general and administration expenses in the income statement.

Goodwill

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

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

Other intangible assets

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

Amortisation

Amortisation is charged to the consolidated income statement on a straight-line basis over the estimated useful lives of intangible assets. Other intangible assets are amortised from the date they are available for use. The estimated useful lives in the current and comparative periods are reflected by the following amortisation percentages:

Software development	7 – 17%
Software not integrated with hardware	17%
Rights and licences	6 – 33%

Impairment

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

Impairment tests for cash-generating units containing goodwill

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

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

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

C3 Intangibles continued

Key assumptions used in value in use calculations

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

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

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

C4 Property, plant and equipment

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

Owned assets

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

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

Assessment of impairment is made in accordance with the impairment policy noted below.

Leased assets

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

Subsequent expenditure

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

Major cyclical maintenance

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

Depreciation

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

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

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

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

C4 Property, plant and equipment continued

Impairment

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

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

Reconciliations

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

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

C5 Payables

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

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

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

C6 Provisions

Thousands of dollars	Site remediation and dismantling	Other	Total
Balance at 1 January 2015	481,581	16,473	498,054
Provisions made during the year	9,929	14,714	24,643
Provisions used during the year	(83,834)	(6,072)	(89,906)
Discounting movement	21,096	–	21,906
Balance at 31 December 2015	428,772	25,115	453,887
Current	88,556	21,794	110,350
Non-current	340,216	3,321	343,537
	428,772	25,115	453,887

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

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

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

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

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

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

C6 Provisions continued

Site remediation and dismantling

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

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

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

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

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

Dividends

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

Other

Other includes legal, insurance and other provisions.

C7 Employee benefits

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

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

D1 Interest bearing liabilities

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

Domestic medium term and subordinated notes

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

D2 Risk management

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

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

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

It is the Group's policy that no discretionary trading in financial instruments shall be undertaken.

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

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

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

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

Cash flow hedges

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

Amounts accumulated in equity are transferred to the income statement in the period when the hedged item affects profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at the time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

D2 Risk management continued

D2.1 Interest rate risk

Interest rate instruments

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

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

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

Interest rate sensitivity analysis

At 31 December 2015, if interest rates had changed by +/-1% from the year end rates, with all other variables held constant, the impact on post-tax profit for the year for the Group and equity would have been:

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

Interest rate risk exposure

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

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

D2.2 Foreign exchange risk

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

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

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

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

Foreign exchange rate sensitivity analysis

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

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

Exposure to foreign exchange risk

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

D2.3 Commodity price risk

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

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

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

At 31 December 2015, if commodity prices had changed by +/-10% from the year end prices, with all other variables held constant, the impact on post-tax profit for the year for the Group and equity would have been:

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

D2.4 Credit risk

Customer credit risk

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

The credit risk on financial assets of the Group which have been recognised on the consolidated balance sheet is the carrying amount of trade debtors, net of allowances for impairment (see note C1).

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

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

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

D2 Risk management continued

D2.4 Credit risk continued

Financial institution credit risk

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

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

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

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

D2.5 Liquidity risk management

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

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

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

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

	2015			2014		
Thousands of dollars	Derivative financial liabilities	Derivative financial assets	Net derivative financial (liabilities)/ assets	Derivative financial liabilities	Derivative financial assets	Net derivative financial (liabilities)/ assets
Derivative financial instruments						
Less than one year	(515,388)	512,064	(3,324)	(300,993)	298,482	(2,511)
One to five years	(1,287)	797	(490)	(4,315)	2,575	(1,740)
			(3,814)			(4,251)

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

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

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

D3 Capital management

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

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

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

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

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

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

D4 Fair value of financial assets and liabilities

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
D CAPITAL, FUNDING AND RISK MANAGEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015

D4 Fair value of financial assets and liabilities continued

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)
31 December 2014					
Interest bearing liabilities					
Domestic medium term notes ⁽ⁱ⁾	(149,667)	(188,850)	–	(188,850)	–
Subordinated note	(541,470)	(579,634)	(579,634)	–	–
Lease liabilities ⁽ⁱⁱ⁾	(1,142)	(1,425)	–	(1,425)	–
Payables					
Interest rate swaps ⁽ⁱⁱⁱ⁾	(5,124)	(5,124)	–	(5,124)	–
Forward foreign exchange contracts ⁽ⁱⁱⁱ⁾	448	448	–	448	–
Foreign currency options ⁽ⁱⁱⁱ⁾	2,403	2,403	–	2,403	–
Total	(694,552)	(772,182)	(579,634)	(192,548)	–

Estimation of fair values

⁽ⁱ⁾ Domestic medium term notes

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

⁽ⁱⁱ⁾ Lease liabilities

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

⁽ⁱⁱⁱ⁾ Derivatives

Interest rate instruments

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

Foreign exchange contracts

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

Crude and finished product swap contracts

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

D5 Issued capital

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

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

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

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

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

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

E1 Income tax expense

E1.1 Recognised in the income statement

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

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

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

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

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

E2 Deferred tax

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

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

NOTES TO THE FINANCIAL STATEMENTS

E TAXATION

FOR THE YEAR ENDED 31 DECEMBER 2015

E2 Deferred tax continued

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

E2.1 Movement in deferred tax

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

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

E2.2 Deferred tax recognised directly in equity

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

E2.3 Unrecognised deferred tax assets

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

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

E2.4 Tax consolidation

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

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

F1 Controlled entities

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

The following entities were controlled during 2015 and 2014:

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

F1 Controlled entities continued

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

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

(ii) These companies are incorporated in Singapore.

(iii) These companies are parties to a Deed of Cross Guarantee dated 22 December 1992 with Caltex and each other. No companies have been added to or removed from the Deed of Cross Guarantee during the year ended 31 December 2015 or from 1 January 2016 to the date of signing of this financial report.

(iv) These entities have been included as controlled entities in accordance with AASB 10 *Consolidated Financial Statements*. In each case, control exists because a company within the Caltex Group has the ability to dominate the composition of the entity's board of directors, or enjoys the majority of the benefits and is exposed to the majority of the risks of the entity.

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

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

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

(viii) This company became part of the Caltex Group on 20 March 2015.

F1.1 Deed of cross guarantee

Income statement for entities covered by the Deed of Cross Guarantee

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

Balance sheet for entities covered by the Deed of Cross Guarantee

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

F2 Business combinations

2015

Hawkins Fuels

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

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

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

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

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

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

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

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

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

2014

Scott's Fuel Divisions

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

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

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

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

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

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

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

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

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

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

F3 Equity accounted investees

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

The consolidated financial statements include the Group's share of the total recognised gains and losses of associates and joint ventures on an equity accounted basis, from the date that significant influence or joint control commences until the date that it ceases. When the Group's share of losses exceeds the carrying amount of the associate or joint venture, the carrying amount is reduced to nil and recognition of future losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

Other movements in reserves are recognised directly in the consolidated reserves.

Unrealised gains arising from transactions with associates and joint ventures are eliminated to the extent of the Group's interest in the entity. Unrealised losses arising from transactions with associates and joint ventures are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

F3.1 Investments accounted for using the equity method

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

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

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

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

F3 Equity accounted investees continued

F3.2 Investments in associates

Thousands of dollars	Revenue (100%)	Profit (100%)	Share of associates' net profit recognised	Total assets (100%)	Total liabilities (100%)	Net assets as reported by associates (100%)	Share of associates' net assets equity accounted
2015	134,716	5,104	1,781	26,296	8,340	17,956	8,642
2014	140,765	3,762	1,372	25,443	9,797	15,646	7,696

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

F3.3 Investments in joint ventures

Thousands of dollars	Revenue (100%)	Profit (100%)	Share of joint ventures' net profit recognised	Total assets (100%)	Total liabilities (100%)	Net assets as reported by joint venture (100%)	Share of joint ventures' net assets equity accounted
2015	325,477	6,863	3,227	3,501	1,578	1,923	770
2014	495,495	(458)	(455)	382,444	383,251	(807)	16,485
Thousands of dollars						2015	2014
Results of joint ventures							
Share of joint ventures' profit/(loss) before income tax expense						3,162	(413)
Share of joint ventures' income tax (expense)/benefit						(948)	124
Share of joint ventures' net loss						2,214	(289)
Unrealised profit/(loss) in inventories						1,013	(166)
Share of joint ventures' net profit/(loss) – equity accounted						3,227	(455)
Joint ventures' assets and liabilities							
Current assets						2,725	377,601
Non-current assets						776	4,843
Total assets						3,501	382,444
Current liabilities						1,578	369,623
Non-current liabilities						–	13,628
Total liabilities						1,578	383,251
Commitments							
Share of joint ventures' operating lease commitments not provided for in the financial report and payable:							
Within one year						1,100	1,111
Between one and five years						1,559	2,659
						2,659	3,770

F3.4 Reconciliation to income statement

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

F3.5 Reconciliation to balance sheet

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

F4 Joint venture operations

Joint venture operations are those entities whose financial and operating policies the Group has joint control over, and where the Group has rights to the assets and obligations for the liabilities of the entity.

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

The Group has joint interests in multiple Joint User Hydrant Installations (JUHLs), which are based at airports across Australia. The Group's interest in the JUHLs ranges from 20% – 50%. The principal activity of the JUHLs is refuelling aircraft at the airports. For the year ended 31 December 2015, the contribution of the JUHLs to the operating profit of the Group was nil (2014: nil). Included in the assets and liabilities of the Group are the Group's interests in the assets and liabilities employed in the joint venture operation:

Thousands of dollars	2015	2014
Non-current assets		
Plant and equipment expenditure	59,318	56,852
Less: accumulated amortisation	(34,769)	(33,282)
Total non-current assets	24,549	23,570
Total assets	24,549	23,570

F5 Parent entity disclosures

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

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

Parent entity guarantees in respect of the debts of its subsidiaries

The parent entity has entered into a Deed of Cross Guarantee with the effect that each company agrees to guarantee all of the debts (in full) of all companies that are parties to the deed subject to, and in accordance with, the terms set out in the deed.

Further details of the Deed of Cross Guarantee and the subsidiaries subject to the deed are disclosed in note F1.

This section includes other information to assist in understanding the financial performance and position of the Group, or items to be disclosed to comply with accounting standards and other pronouncements.

G1 Commitments

G1.1 Capital expenditure

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

G1.2 Leases

Finance leases

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

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

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

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

Operating leases

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

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

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

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

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

G1 Commitments continued

G1.2 Leases continued

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

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

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

G2 Contingent liabilities

Discussed below are items where either it is not probable that the Group will have to make future payments or the amounts of the future payments are not able to be measured.

Legal and other claims

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

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

Bank guarantees

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

Deed of Cross Guarantee and class order relief

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

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

G3 Related party disclosures

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

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

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

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

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

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

Associates

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

Details of associates are set out in note F3. Amounts receivable from associates are set out in note C1. Dividend and disbursement income from associates is \$800,000 (2014: \$600,000).

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

Joint ventures

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

G4 Key management personnel

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

Current directors

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

Former directors

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

Senior executives

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

Key management personnel compensation

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

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

G4 Key management personnel continued

Executive share plan

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

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

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

Performance rights

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

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

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

G5 Notes to the cash flow statement

G5.1 Reconciliation of cash and cash equivalents

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

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

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

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

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

G6 Auditor remuneration

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

G7 Net tangible assets per share

Dollars	2015	2014
Net tangible assets per share	9.60	8.64

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

G8 New standards and interpretations not yet adopted

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

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

G9 Events subsequent to the end of the year

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

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

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

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