Financial Statements

Contents

Consolidated Income Statement

FOR THE YEAR ENDED 31 DECEMBER 2019

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

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

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2019

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

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

Consolidated Balance Sheet

AS AT YEAR ENDED 31 DECEMBER 2019

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

The Consolidated Balance Sheet is to be read in conjunction with the notes to the financial statements.

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2019

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

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

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

Consolidated Cash Flow Statement

FOR THE YEAR ENDED 31 DECEMBER 2019

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

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

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

A1 Reporting entity

Caltex Australia Limited (Caltex or the Company) is a company limited by shares, incorporated and domiciled in Australia. The shares of Caltex are publicly traded on the Australian Securities Exchange. The consolidated financial statements for the year ended 31 December 2019 comprise the Company and its controlled entities (together referred to as the "Group") and the Group's interest in associates and jointly controlled entities. The Group is a for-profit entity and is primarily involved in the purchase, refining, distribution and marketing of petroleum products and the operation of convenience stores.

A2 Basis of preparation

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

The financial report has been prepared as a general purpose financial report and complies with the requirements of the Corporations Act 2001 (Cth) (Corporations Act) and Australian Accounting Standards (AASBs). The consolidated financial report also complies with International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board (IASB).

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

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

The Company is of a kind referred to in ASIC Corporations Instrument 2016/191 dated 24 March 2016. In accordance with that Instrument, amounts in the consolidated financial report and Directors' Report have been rounded to the nearest thousand dollars, unless otherwise stated.

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

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

A3 Use of judgement and estimates

The preparation of a consolidated financial report in conformity with AASBs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied by each entity in the Group, except as noted in section A4.

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

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

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

A4 Changes in significant accounting policies

AASB 16 Leases

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

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

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

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

A4 Changes in significant accounting policies continued

AASB 16 Leases continued

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

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

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

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

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

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

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

Impacts on financial statements

Impacts on transition

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

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

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

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

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

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

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

B1 Revenue and other income

Revenue

Sale of goods

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

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

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

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

Contract assets

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

Other revenue

Rental income from leased sites is recognised in the consolidated income statement on a straight-line basis over the term of the lease.

Franchise fee income is deferred and recognised in accordance with the substance of the agreement.

Royalties are recognised in line with franchise agreements.

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

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

Other income

Net profit on disposal of property, plant and equipment

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

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

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

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

B2 Costs and expenses

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

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

(i) Refer to Note C4.1.

B3 Segment reporting

B3.1 Segment disclosures

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

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

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

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

Cost of goods sold measured on a replacement cost basis

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

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

Types of products and services

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

Convenience Retail

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

Fuels & Infrastructure

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

Transfer price between segments

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

B3 Segment reporting continued

B3.2 Information about reportable segments

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

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

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

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

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

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

B3 Segment reporting continued

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

Other material items

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

B3.4 Geographical segments

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

B3.5 Major customer

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

B3.6 Revenue from products and services

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

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

B4 Earnings per share

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

Calculation of earnings per share

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

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

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

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

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

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

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

B5.1 Dividends declared or paid
Dividends recognised in the current year by the Company are:

	Date of payment	Franked/ unfranked	Cents per share	Total amount $'000
2019				
Interim 2019	4 October 2019	Franked	32	79,906
Final 2018	5 April 2019	Franked	61	159,094
Total amount			93	239,000
2018				
Interim 2018	11 September 2018	Franked	57	148,663
Final 2017	6 April 2018	Franked	61	159,094
Total amount			118	307,757

Subsequent events
Since 31 December 2019, the Directors declared the following dividend. The dividend has not been provided for and there are no income tax consequences for the Group in relation to 2019.

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

B5.2 Dividend franking account

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

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

The impact on the dividend franking account of dividends proposed after the balance sheet date but not recognised as a liability, is to reduce the balance by $54,579,000 (2018: $68,183,000).

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

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

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

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

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

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

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

C1 Receivables continued
Impaired receivables

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

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

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

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

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

The creation and release of the provision for impaired receivables has been included in general and administration expenses in the income statement. Amounts charged to the allowance account are written off when there is no expectation of recovering additional cash. The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due.

C2 Inventories

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

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

The amount of any write-down or loss of inventory is recognised as an expense in the period it is incurred. Inventory write-downs may be reversed when net realisable value increases subsequent to initial write-down. The reversal is limited to the original write-down amount. There was no inventory written down to net realisable value at 31 December 2019 and 31 December 2018.

C3 Intangibles

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

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

C3 Intangibles continued

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

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

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

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

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

Software development	7 to 17%
Software not integrated with hardware	7 to 18%
Rights and licences	4 to 33%

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

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

Total goodwill and indefinite life intangibles

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

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

C3 Intangibles continued

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

Key assumptions used in value in use calculations

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

The values assigned to the key assumptions represent management's assessment of future trends in the petroleum industry and are based on both external sources and internal sources (historic data) including the potential impact of climate change. Management believes that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of goodwill recorded to exceed its recoverable amount.

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

C4 Property, plant and equipment

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

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

C4 Property, plant and equipment continued

Owned assets

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

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

Subsequent expenditure

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

Major cyclical maintenance

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

Depreciation

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

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

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

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

Impairment

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

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

C4 Property, plant and equipment continued

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

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

Notes to the Financial Statements
C Operating assets and liabilities continued

FOR THE YEAR ENDED 31 DECEMBER 2019

C4 Property, plant and equipment continued

C4.1 Leased assets

Definition of a lease

At the inception of a contract, the Group assesses whether a contract is, or contains, a lease based on whether it conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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

The Group as a lessee

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

2019 Lease Policy under AASB 16

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost. The cost is comprised of:

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

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

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

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

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

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

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

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

2018 Operating Lease Policy under AASB 117

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

C4 Property, plant and equipment continued

C4.1 Leased assets continued

Right-of-use assets

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

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

Amounts recognised in income statement

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

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

Amounts recognised in the statement of cash flows

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

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

Extension options

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

Notes to the Financial Statements
C Operating assets and liabilities continued

FOR THE YEAR ENDED 31 DECEMBER 2019

C4 Property, plant and equipment continued

C4.1 Leased assets continued

Group as lessor

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

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

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

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

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

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

C5 Payables

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

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

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

C6 Provisions

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

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

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

A provision is determined by discounting the expected future cash flows (adjusted for expected future risks) required to settle the obligation at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Subsequent accretion to the amount of a provision due to unwinding of the discount is recognised as a financing cost.

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

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

Site remediation and dismantling

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

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

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

A change in estimate of the provision is added to or deducted from the cost of the related asset in the period of the change, to the extent that any amount deducted does not exceed the carrying amount of the asset. A deduction in excess of the carrying amount or an adjustment in circumstances where there is no such related asset is recognised in the consolidated income statement immediately. If an adjustment results in an addition to the cost of the related asset, consideration will be given to whether an indication of impairment exists and the impairment policy will be applied.

Other

Other includes legal and other provisions.

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

C7 Employee benefits

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

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

D1 Interest-bearing liabilities

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

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

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

Significant funding transactions

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

D2 Risk management

The Group currently finances its operations through a variety of financial instruments including bank facilities, capital markets borrowings and leasing transactions. Surplus funds are invested in cash and short-term deposits. The Group has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and commodity price risk), as well as credit and liquidity risk.

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

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

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

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

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

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

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

D2 Risk management continued

Hedge accounting

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

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

D2 Risk management continued

D2.1 Interest rate risk

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

Interest rate risk exposure

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

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

Management of interest rate risk

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

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

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

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

Interest rate sensitivity analysis

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

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

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

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

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

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

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

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

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

Foreign exchange risk exposure

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

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

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

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

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

D2 Risk management continued

D2.2 Foreign exchange risk continued

Foreign exchange rate sensitivity analysis

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

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

D2.3 Commodity price risk

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

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

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

Commodity price sensitivity analysis

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

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

D2.4 Credit risk

Customer credit risk

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

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

The Group has a Board-approved Credit Policy and manual which provide the guidelines for the management and diversification of the credit risk to the Group. The guidelines provide for the manner in which the credit risk of customers is assessed and the use of credit rating and other information in order to set appropriate limits of trade with customers. The credit quality of customers is consistently monitored in order to identify any potential adverse changes in the credit risk of the customers.

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

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

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

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

D2 Risk management continued
D2.4 Credit risk continued
Financial institution credit risk

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

D2.5 Liquidity risk management

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

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

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

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

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

D2 Risk management continued

D2.5 Liquidity risk management continued

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

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

D3 Capital management

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

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

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

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

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

D4 Fair value of financial assets and liabilities

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

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

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

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

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

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

D4 Fair value of financial assets and liabilities continued
Fair values of recognised financial assets and liabilities with their carrying amounts shown in the balance sheet are as follows:

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

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

Estimation of fair values

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

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

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

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

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

D5 Master netting or similar agreements

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

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

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

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

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

D6 Issued capital

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

In April 2019, the Group repurchased 11,103,572 shares at a total cost of $260,157,000 as part of the Group's capital management program. The capital component of the shares repurchased was $22,318,000 and is recognised in issued capital. Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings.

In the event of the winding up of the Group, ordinary shareholders rank after all creditors and are fully entitled to any proceeds of liquidation. The Group grants performance rights to Senior Executives; see the 2019 Remuneration Report for further detail. For each right that vests, the Group intends to purchase shares on-market following vesting.

Notes to the Financial Statements
E Taxation

FOR THE YEAR ENDED 31 DECEMBER 2019

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

E1 Income tax expense

E1.1 Recognised in the income statement

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

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

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

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

Taxation of Singaporean entities

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

E2 Deferred tax

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

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

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

E2.1 Movement in deferred tax

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

(i) Refer to Note A4.

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

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

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

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

E2.3 Unrecognised deferred tax assets

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

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

E3 Tax consolidation
Caltex Australia Limited recognises all current tax balances relating to its wholly-owned Australian resident entities included in the tax consolidated group (TCG). Caltex Australia Limited, in conjunction with the other members of the TCG, has entered into a tax funding arrangement which sets out the funding obligations of members of the TCG in respect of tax amounts.

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

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

F1 Controlled entities

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

The following entities were controlled during 2019:

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

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

F1 Controlled entities continued

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

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

F1 Controlled entities continued

F1.1 Deed of Cross Guarantee

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

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

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

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

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

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

F2 Business combinations

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

F3 Equity-accounted investees

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

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

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

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

F3.1 Investments in associates and joint ventures

		% Interest	
Name	**Country of incorporation**	**2019**	**2018**
Investments in associates			
SEAOIL Philippines Inc.[(i)]	Philippines	20	20
Geraldton Fuel Company Pty Ltd	Australia	50	50
Investments in joint ventures			
Airport Fuel Services Pty Limited	Australia	40	40
Australasian Lubricants Manufacturing Company Pty Ltd[(ii)]	Australia	50	50
Cairns Airport Refuelling Service Pty Ltd	Australia	33.33	33.33

(i) Caltex acquired interest on 1 March 2018.
(ii) Australasian Lubricants Manufacturing Company Pty Ltd ceased joint venture operations on 17 April 2015.

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

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

F3 Equity-accounted investees continued
F3.2 Investments in associates

Thousands of dollars	Revenue (100%)	Profit (100%)	Share of associates' net profit recognised	Total assets (100%)	Total liabilities (100%)	Net assets as reported by associates' (100%)	Share of associates net assets equity accounted	Elimination of unrealised loss in inventories	Goodwill	Total share of associates' net assets equity accounted
2019	**1,651,615**	**14,126**	**4,231**	**610,206**	**395,521**	**214,685**	**50,412**	**156**	**103,565**	**154,133**
2018	1,447,427	46,488	10,133	486,919	279,625	207,294	48,258	(176)	98,591	146,673

F3.3 Investments in joint ventures

Thousands of dollars	Revenue (100%)	Profit (100%)	Share of joint ventures' net profit recognised	Total assets (100%)	Total liabilities (100%)	Net assets as reported by joint venture (100%)	Share of joint ventures' net assets equity accounted
2019	**10,528**	**–**	**–**	**4,703**	**2,780**	**1,923**	**769**
2018	9,829	–	–	4,231	2,308	1,923	769

F4 Joint operations
Joint operations are those entities whose financial and operating policies the Group has joint control over, and where the Group has rights to the assets and obligations for the liabilities of the entity.

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

The Group has joint interests in multiple Joint User Hydrant Installations (JUHIs), which are based at airports across Australia. The Group's interest in the JUHIs ranges from 20% to 50%. The principal activity of the JUHIs is refuelling aircraft at the airports. For the year ended 31 December 2019, the contribution of the JUHIs to the operating profit of the Group was nil (2018: nil). Included in the assets and liabilities of the Group are the Group's interests in the assets and liabilities employed in the joint venture operation.

Thousands of dollars	2019	2018
Non-current assets		
Plant and equipment	**84,061**	77,048
Less: accumulated depreciation	**(38,109)**	(40,557)
Total non-current assets	**45,952**	36,491
Total assets	**45,952**	36,491

F5 Parent entity disclosures

As at, and throughout, the financial year ended 31 December 2019, the parent entity of the Group was Caltex Australia Limited.

Thousands of dollars	2019	2018
Result of the parent entity		
Profit for the period	284,276	423,279
Other comprehensive income/(loss)	(18,559)	(7,629)
Total comprehensive income for the period	265,717	415,650
Financial position of parent entity at year end		
Current assets	122,249	8,638
Total assets	2,598,083	2,245,085
Current liabilities	238,855	119,771
Total liabilities	2,112,149	1,506,146
Total equity of the parent entity comprising:		
Issued capital	502,626	524,944
Treasury stock	(1,968)	(2,462)
Reserves	(17,962)	(16,880)
Retained earnings	3,238	233,337
Total equity	485,934	738,939

Comparative share capital and total assets have been restated to appropriately reflect the actual 2018 balance.

Parent entity guarantees in respect of the debts of its subsidiaries

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

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

The bank guarantee and letter of credit arrangements provided by the parent entity are consistent with those held by the Group as disclosed in Note G2.

Notes to the Financial Statements
G Other information

FOR THE YEAR ENDED 31 DECEMBER 2019

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

G1 Commitments

Capital expenditure

Thousands of dollars	2019	2018
Capital expenditure contracted but not provided for in the financial report and payable	7,393	11,970

G2 Contingent liabilities

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

Legal and other claims

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

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

Bank guarantees

The Group has entered into letters of credit in the normal course of business to support crude and product purchase commitments and other arrangements entered into with third parties. In addition, the Group has granted indemnities to banks to cover bank guarantees given on behalf of controlled entities. The probability of having to make a payment under these arrangements is remote.

Deed of Cross Guarantee and class order relief

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

G3 Related party disclosures

Associates

In 2019, the Group sold petroleum products to associates totalling $407,088,000 (2018: $564,667,000). The Group received income from associates for rental income of $938,000 (2018: $934,000).

Details of associates are set out in Note F3. Amounts receivable from associates are set out in Note C1. Dividend and disbursement income from associates is $450,000 (2018: $400,000).

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

Joint venture and joint operations

The Group has interests in joint arrangements primarily for the marketing, sale and distribution of fuel products and the operation of convenience stores. There were no material related party transactions with the Group's joint arrangements entities during 2019 (2018: nil). Details of the Group's interests are set out in notes F3 and F4.

G4 Key management personnel

The key management personnel of the Group during 2019 and 2018 were:

Current Directors

- Steven Gregg, Chairman and Independent Non-executive Director
- Julian Segal, Managing Director and CEO
- Mark Chellew, Independent Non-executive Director
- Melinda Conrad, Independent Non-executive Director
- Bruce Morgan, Independent Non-executive Director
- Barbara Ward AM, Independent Non-executive Director
- Penny Winn, Independent Non-executive Director

Former Directors

- Trevor Bourne, Independent Non-executive Director (to 9 May 2019)

Senior Executives

- Julian Segal, Managing Director and CEO
- Matthew Halliday, Chief Financial Officer (from 15 April 2019)
- Louise Warner, Executive General Manager, Fuels and Infrastructure
- Joanne Taylor, Executive General Manager, Convenience Retail (from 1 April 2019)

Former Senior Executives

- Simon Hepworth, Chief Financial Officer (to 1 July 2019)
- Richard Pearson, Executive General Manager, Convenience Retail (to 30 September 2019)

Key management personnel compensation

Dollars	2019	2018
Short-term benefits	**7,309,316**	9,571,817
Other long-term benefits	**139,681**	118,690
Post-employment benefits	**342,211**	367,468
Termination benefits	**1,103,261**	-
Share-based payments	**2,514,151**	2,422,616
	11,408,620	12,480,591

Information regarding Directors' and Executives' compensation and some equity instruments disclosures is provided in the Remuneration Report section of the Directors' Report.

Notes to the Financial Statements
G Other information continued
FOR THE YEAR ENDED 31 DECEMBER 2019

G5 Notes to the cash flow statement
G5.1 Reconciliation of cash and cash equivalents

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

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

Thousands of dollars	2019	2018
Cash at bank	35,015	6,142
Total cash and cash equivalents	35,015	6,142

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

Thousands of dollars	2019	2018
Net profit	383,819	561,590
Adjustments for:		
Net gain on sale of property, plant and equipment	(44,728)	(12,555)
Impairment of Kitchen Food Company and related receivables	-	13,060
Finance charges on leases	(58,603)	27
Interest paid capitalised	(92)	(287)
Amortisation of finance costs	273	1,641
Depreciation of property, plant and equipment	360,276	223,976
Amortisation of intangibles	27,082	28,372
Treasury stock movements net of expense	1,491	2,814
Share of associates' and joint ventures' net profit	(4,234)	(10,859)
Movements in assets and liabilities:		
(Increase) in receivables	(295,843)	(258,799)
Decrease/(increase) in inventories	(493,380)	78,790
Decrease/(increase) in other assets	25,763	(32,203)
Increase in payables	899,050	66,431
Increase)/decrease in current tax balances	56,626	(79,311)
Decrease in deferred tax assets	7,457	62,778
Decrease in provisions	(20,698)	(48,961)
Net operating cash inflows	844,259	596,504

G6 Auditor remuneration

Dollars	2019	2018
Audit and review services		
Auditors of the Group – KPMG		
Audit and review of financial statements – Group	1,573,200	1,197,400
Audit and review of financial statements – controlled entities	175,500	157,400
	1,748,700	1,354,800
Assurance services		
Auditors of the Group – KPMG		
Regulatory assurance services	19,600	19,200
Other assurance services	112,500	–
	132,100	19,200
Other services		
Auditors of the Group – KPMG		
Taxation advice and tax compliance services	52,500	73,610
Other advisory services	28,440	–
	80,940	73,610

The 2019 audit fee includes audit work in respect of the adoption of new accounting standards in the year.

G7 Net tangible assets per share

Thousands of dollars	2019	2018
Net tangible assets per share	10.75	10.82

Net tangible assets are net assets attributable to members of Caltex Australia Limited less intangible assets. The number of ordinary shares used in the calculation of net tangible assets per share was 249,707,000 (2018: 261,811,000).

G8 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2020, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group.

G9 Events subsequent to the end of the year

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

There were no other items, transactions or events of a material or unusual nature that, in the opinion of the Board, are likely to significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group that have arisen in the period from 31 December 2019 to the date of this report.

Comparative Financial Information

The additional information on pages 126 to 127 is provided for the information of shareholders. The information is based on, but does not form part of, the 2019 Financial Report.

Caltex Australia Limited consolidated results	2019	2018	2017	2016
Profit and loss ($million)				
Historical cost operating profit before interest and income tax expense	**640**	829	929	936
Interest income	**1**	3	3	7
Interest costs(i)	**(121)**	(52)	(70)	(80)
Historical cost income tax expense	**(138)**	(219)	(243)	(253)
Historical cost operating profit after income tax	**383**	560	619	610
Dividends				
Amount paid and payable ($/share)	**0.83**	1.18	1.21	1.02
Times covered HCOP	**1.85**	1.82	1.96	2.29
Dividend payout ratio – RCOP basis (excl. significant items)(ii)(iii)	**60%**	55%	51%	51%
Dividend franking percentage	**100%**	100%	100%	100%
Other data				
Total revenue ($m)(iii)	**22,307**	21,731	16,286	13,027
Earnings per share – HCOP (cents per share)	**151**	215	237	232
Earnings per share – RCOP (cents per share) (excl. significant items)	**136**	214	238	199
Earnings before interest and tax – replacement cost basis ($m) (excl. sig items)	**607**	826	959	813
Operating cash flow per share ($/share)	**3.4**	2.3	2.8	3.6
Interest cover – HCOP basis(i)	**5.3**	16.9	13.9	12.9
Interest cover – RCOP basis (excl. significant items)(i)	**5.1**	16.8	14.3	11.2
Equity attributable to members of the company ($m)	**3,257**	3,376	3,094	2,797
Total equity ($m)	**3,271**	3,389	3,108	2,810
Total assets ($m)	**8,347**	6,728	6,355	5,303
Net tangible asset backing ($/share)	**10.75**	10.82	9.88	9.88
Borrowings ($m)	**903**	961	859	698
Borrowings net of cash ($m)	**868**	955	814	454
Net debt to net debt plus equity (%)	**21**	22	21	14

(i) Includes the impact of AASB 16 from 1 January 2019.
(ii) Based on reported RCOP NPAT of the time.
(iii) All prior periods revenue restated for consistency with current period (product duties and taxes shown on a net basis).
(iv) Dividend payout ratio – replacement cost of sales operating profit basis calculated as follows:

$$\frac{\text{Dividends paid and payable in respect of financial year}}{\text{RCOP after income tax (excl. significant items)}}$$

Replacement Cost of Sales Operating Profit Basis of Accounting

- To assist in understanding the Group's operating performance, the directors have provided additional disclosure of the Group's results for the year on a replacement cost of sales operating profit basis(i), which excludes net inventory gains and losses.
- On a replacement cost of sales operating profit basis excluding significant items, the Group's net profit after income tax for the year was $344 million, compared to a profit of $558 million in 2018.
- 2019 net profit before interest, income tax and significant items on a replacement cost of sales operating profit basis was $607 million, a decrease of $219 million over 2018.

RCOP Basis of Accounting	Five years*	2019*	2018	2017	2016	2015
Historical cost operating profit before interest and income tax expense	**4,149**	640	829	929	936	815
Add/(deduct) inventory losses/(gains)(ii)	**76**	19	(20)	6	(122)	193
Significant items (income)/expense	**(44)**	(53)(iii)	17(iv)	24(v)	–	(32)(vi)
Replacement cost of sales operating net profit before interest and income tax expense	**4,182**	607	826	959	813	977
Net borrowing costs(vii)	**(386)**	(120)	(49)	(67)	(73)	(77)
Replacement cost income tax expense	**(1,104)**	(143)	(218)	(254)	(217)	(272)
Replacement cost of sales operating profit after income tax(viii)	**6,873**	344	558	638	524	628

*Note: Totals may not sum due to rounding.

(i) The replacement cost of sales operating profit basis (RCOP) removes the unintended impact of inventory gains and losses, giving a truer reflection of underlying financial performance. Gains and losses in the value of inventory due to fluctuations in the USD price of crude oil and foreign exchange impacts constitute a major external influence on company profits. RCOP restates profit to remove these impacts. The Caltex RCOP methodology is consistent with the methods used by other refining and marketing companies for restatement of their financials.
As a general rule, an increase in crude prices on an Australian dollar basis will create an earnings gain for Caltex (but working capital requirements will also increase). Conversely, a drop in crude prices on an Australian dollar basis will create an earnings loss. This is a direct consequence of the first in first out (FIFO) costing process used by Caltex in adherence with accounting standards to produce the financial result on a historical cost basis. With Caltex holding approximately 45 to 60 days of inventory, revenues reflect current prices in Singapore whereas FIFO costings reflect costs some 45 to 60 days earlier. The timing differences creates these inventory gains and losses. To remove the impact of this factor on earnings and to better reflect the underlying performance of the business, the RCOP NPAT methodology calculates the cost of goods sold on the basis of theoretical new purchases instead of actual costs form inventory. The cost of these theoretical new purchases is calculated as the average monthly cost of cargoes received during the month of those sales.

(ii) Historical cost results include gross inventory gains or losses from the movement in crude oil prices. In 2019, the historical cost result includes $19 million inventory loss (2018: $20 million inventory gain).

(iii) The significant item gain of $53 million relates to the net gain on sale from the divestment of the 25 Higher Better Use (HBU) sites during 2019.

(iv) During 2018, significant item expense consists of the loss on exit from Caltex's 49% interest in Kitchen Food Company of $27 million, offset in relation to the partial writeback of the Franchisee Employee Assistance Fund ($10 million) resulting in a net impact of $17 million.

(v) Includes net significant items before tax totalling a loss of $24 million, that have been recognised in the income statement. The significant items are a result of the announced establishment of the Franchisee Employee Assistance Fund ($20 million), restructuring and redundancy costs associated with the capability and competitiveness project Quantum Leap ($23 million), offset by the profit on sale of Caltex's fuel oil business and the utilisation of prior period capital losses to partially offset tax expense on the profit on sale.

(vi) Includes significant items before tax totalling a gain of $31,924,000, that have been recognised in the income statement. This gain relates to the sale of surplus property in Western Australia.

(vii) Includes the impact of AASB 16 from 1 January 2019.

(viii) Replacement cost profit after income tax is calculated before taking into account any significant items over the five years. The total effect of these significant items in each year was: 2015: $32 million gain before tax ($29 million after tax); 2016: no significant items were recognised; 2017: $24 million expenses before tax ($14 million expenses after tax); 2018: $17 million expenses before tax ($12 million expenses after tax) and 2019: $53 million gain before tax ($53 million gain after tax) were recognised.

Shareholder Information

AS AT 28 FEBRUARY 2020

Share capital

There are 249,706,947 fully paid ordinary shares on issue, held by 31,097 holders.

Holders with less than a marketable parcel

346 shareholders hold less than a marketable parcel of $500 based on a share price of $32.70 per share.

Shares purchased on-market

From 1 January 2019, 25,922 fully paid ordinary shares were purchased on-market at an average cost of $26.85 per share for the purpose of the Caltex Australia Limited Employee Share Plan.

From 1 January 2019, 158,535 fully paid ordinary shares were purchased on-market at an average cost of $27.08 per share for the purpose of the Caltex Australia Limited Equity Incentive Plan.

Substantial shareholders

Substantial Shareholder	Number of shares held	% of issued capital
BlackRock Inc	15,385,717	6.16
The Vanguard Group, Inc	15,015,772	6.01
State Street Corporation	14,945,658	5.99
AustralianSuper	13,611,192	5.45
UBS Group AG and its related bodies corporate	12,940,343	5.18

Shareholder distribution

Range	Total Holders	Units	% of issued capital
1 – 1,000	24,341	9,294,502	3.72
1,001 – 5,000	5,996	12,614,961	5.05
5,001 – 10,000	496	3,543,935	1.42
10,001 – 100,000	230	5,526,135	2.21
Over 100,001	34	218,727,414	87.59
Total	**31,097**	**249,706,947**	**100.000**

Directory

Share registry

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Caltex Kurnell import terminal
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Kurnell NSW 2231
Australia
T: +61 2 8543 8622

Top 20 shareholders

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

Rank	Shareholders	Number of shares held	% of issued shares
1	HSBC Custody Nominees (Australia) Limited	88,181,799	35.31
2	JP Morgan Nominees Australia Pty Limited	63,567,137	25.46
3	Citicorp Nominees Pty Limited	30,964,837	12.40
4	National Nominees Limited	10,240,200	4.10
5	BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	6,089,964	2.44
6	HSBC Custody Nominees (Australia) Limited	5,040,017	2.02
7	BNP Paribas Noms Pty Limited <DRP>	4,164,740	1.67
8	Citicorp Nominees Pty Limited <Colonial First Estate Inv A/C>	1,659,846	0.66
9	HSBC Custody Nominees (Australia) Limited – GSCO ECA	1,178,444	0.47
10	HSBC Custody Nominees (Australia) Limited – A/C 2	635,844	0.25
11	National Nominees Limited <N A/C>	630,700	0.25
12	Warbont Nominees Pty Ltd <Unpaid Entrepot A/C>	607,088	0.24
13	Neweconomy.com.au Nominees Pty Limited <900 account>	567,967	0.23
14	AMP Life Limited	557,665	0.22
15	Morgan Stanley Australia Securities (Nominee) Pty Limited <No. 1 Account>	493,642	0.20
16	BNP Paribas Nominees Pty Limited Hub24 Custodial Serv Ltd DRP	416,185	0.17
17	BNP Paribas Noms Pty Limited <Arbitage Snc DRP>	402,694	0.16
18	Milton Corporations Limited	394,000	0.16
19	Mutual Trust Pty Limited	284,949	0.11
20	Julian Segal	269,367	0.11
Totals: Top 20 holders of ORDINARY FULLY PAID SHARES (Total)		**216,347,085**	**86.64**
Total Remaining Holders Balance		**33,359,862**	**13.36**

Voting Rights

Shareholders in Caltex Australia Limited have a right to attend and vote at all general meetings in accordance with the company's Constitution, the *Corporations Act 2001 (Cth)* and the ASX Listing Rules.

Corporate Governance Statement

A copy of the Corporate Governance Statement can be found on our website. Visit https://www.caltex.com.au/our-company/investor-centre/corporate-governance.

Australian Securities Exchange

The company's fully paid ordinary shares (ASX:CTX) are listed on the Australian Securities Exchange.

Company Secretaries

Lyndall Stoyles is appointed as Company Secretary of Caltex Australia Limited.

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