Viva Energy Group Limited (the "Company")
ACN 626 661 032
Appendix 4E - Preliminary Final Report

Results for announcement to the market

The current reporting period is the year ended 31 December 2020. The previous corresponding period is the year ended 31 December 2019.

	Year ended 31 December 2020 A$M	Year ended 31 December 2019 A$M	% Change A$M
Revenue	**12,409.9**	16,541.6	-25.0%
Profit/(loss) from ordinary activities after tax/net profit for the period attributable to shareholders			
Historical cost basis	**(36.2)**	113.3	-132.0%
Replacement cost basis[1]	**143.4**	148.0	-3.1%
Underlying profit/(loss) after tax attributable to shareholders			
Historical cost basis	**(215.6)**	101.1	-313.3%
Replacement cost basis	**(35.9)**	135.8	-126.4%

Brief explanation of basis of results

The Company reports its performance and "Underlying" performance on a "Replacement Cost" (RC) basis. RC is a non-IFRS measure under which the cost of goods sold is calculated on the basis of theoretical new purchases of inventory instead of the historical cost of inventory. As a result, it removes the effect of timing differences and the Group believes it enables users of the financial information to more clearly observe the operating performance of the business independently of the impact of movements in the oil price.

	Year ended 31 December 2020 cents	Year ended 31 December 2019 cents	% change
Statutory Earnings per share (Historical cost basis)	**(1.9)**	**5.8**	**-132.8%**
Underlying Earnings per share (Replacement cost basis)	**(1.9)**	**7.0**	**-127.1%**

The above earnings per share calculations are based on the weighted average number of ordinary shares on issue in the Company over the year ended 31 December 2020. Underlying earnings per share is prepared on the basis of Underlying profit.

	Year ended 31 December 2020 A$	Year ended 31 December 2019 A$	% Change A$M
Net tangible asset per share	**0.88**	**1.06**	**-17.0%**

Net tangible asset per share is derived by dividing net tangible assets by the number of ordinary shares on issue as at 31 December 2020. Net tangible assets are net assets attributable to members less intangible assets. Right of use assets have been treated as tangible for the purpose of this calculation.

Dividends	**2020 cents**
2020 Interim dividend - amount per security (fully franked)	0.80
2020 Special Dividend - amount per security	5.94
2020 Final dividend – amount per security	-

No final dividend will be paid in relation to the year ended 31 December 2020.

There is no dividend or distribution reinvestment plan currently in operation and there is no foreign sourced income component distributed in relation to the dividend.

This information should be read in conjunction with the 2020 Financial Report of Viva Energy Group Limited ('2020 Financial Report') and associated ASX market releases made during the period. The 2020 Financial Report includes additional Appendix 4E disclosure requirements and commentary on the results for the year ended 31 December 2020.

This report is based on the 2020 Financial Report which has been audited by PricewaterhouseCoopers ('PwC'). PwC has not audited Underlying numbers included in the Director's report. The Independent Auditor's Report provided by PwC is included in the 2020 Financial Report.

Julia Kagan
Company Secretary
24 February 2021

Viva Energy Group Limited and controlled entities

Financial report for the year ended 31 December 2020

ACN: 626 661 032
ABN: 74 626 661 032

Contents

Operating and financial review

Company overview

Viva Energy is one of Australia's leading energy companies. In 2020, Viva Energy supplied over 11 billion litres of petroleum products (approximately one quarter of Australia's liquid fuel requirements) through a national network of retail service stations and directly to commercial customers. The Group owns and operates an oil refinery in Victoria together with an extensive import, storage and distribution infrastructure network, including a presence at over 50 airports and airfields across the country. Crude oil and refined products are procured and imported by Vitol, one of the world's largest independent energy commodity trading companies.

Retail, Fuels and Marketing – Retail

Viva Energy supplies and markets quality fuel products through a national network of over 1,300 Shell and Liberty branded retail service stations with over 700 of the sites being operated by Coles Express under the Coles Alliance. Viva Energy also supplies other retail operators and wholesalers.

Retail, Fuels and Marketing – Commercial

Viva Energy is a significant supplier of fuel, lubricants and specialty hydrocarbon products to commercial customers in the aviation, marine, transport, resources, construction, agriculture and manufacturing industries. Viva Energy's strong position across many segments is underpinned by national infrastructure and long-standing customer relationships.

Refining

Viva Energy owns and operates the country's second largest and most complex refinery in Australia, located at Geelong in Victoria. Refineries play an important role in processing Australian and imported crude oil into petroleum products which meet Australian specifications and help to enhance fuel supply security for the country. Geelong Refinery supplies more than 10% of Australia's total fuel requirements (more than 50% of Victoria's fuel demand) and is the only manufacturer of bitumen, Avgas for use in piston engine aircraft, and hydrocarbon solvents.

Supply, Corporate and Overheads

Viva Energy owns or contracts access to a national infrastructure network comprising import terminals, storage tanks, depots and pipelines positioned across metropolitan and regional Australia in all states. The Group operates barges which provide marine fuels to cruise and container shipping industries in Sydney and Melbourne, and also contracts with a number of fuel transport companies to distribute fuels to customers throughout the country. Through its wholly owned subsidiary, Liberty Wholesale, Viva Energy also operates it's own fuel delivery fleet of over 80 vehicles.

Our Strategy

As a large and diverse country, Australians rely on affordable energy to move around, transport products to every corner of the country and beyond our shores, and produce the goods and services that drive the economy. Petrol, diesel, jet and fuel oils have provided this energy for more than 110 years and remain an important part of every Australian's daily life. Through our extensive retail network, commercial business, national terminal and pipeline infrastructure position and strategically located refinery in Geelong, Victoria, Viva Energy supplies approximately 23% of Australia's liquid fuel requirements.

During 2020, the business was impacted by the global response to the COVID-19 pandemic with Retail, Aviation and Refining most affected. Retail fuel demand has recovered as stay at home restrictions have been relaxed, and we expect domestic aviation demand to recover as domestic borders are opened. International travel is not expected to resume in any material way until international borders are open around the world. The Refining business has been heavily impacted by the decline in global oil demand affecting refining margins, and the short term fall in local demand impacting production during 2020. Significant losses were incurred in the refining sector and the permanent closure of two refineries in Australia have been announced.

We believe that the refining industry plays a vital role in Australia's economy, and are working closely with the Australian Federal Government to implement a long term Fuel Security Package which will provide important support to the refining sector. We are also progressing a number of projects at Geelong which have potential to transform the site into a strategic Energy Hub and support the Company's longer term aspirations to expand into other forms of energy such as natural gas, hydrogen and renewable electricity. These have potential to diversify earnings in this part of our business, and together with the benefits expected from the Fuel Security package, help improve the long term sustainability of the refining business.

Operating and financial review (continued)

As we look further ahead, we expect to see accelerating changes in the energy markets as Australia and the world moves toward a lower-carbon economy. This transition will progress at differing rates in different sectors, and presents both risks and opportunities to our Company. Our strategy is to remain a key player in the energy sector, and particularly energy for transport. While this energy transition will present new opportunities for investment and encourage new products and services which will drive future growth, hydrocarbon derived fuels will also continue to be a very important part of the energy mix. As a leading energy company with significant presence across all geographies and sectors, Viva Energy can play a very important role in meeting these changing customer needs and benefiting from the new opportunities that emerge.

Viva Energy's strategy is to remain focussed on our core business and outperform our competitors while at the same time develop opportunities for new growth in emerging products and services, and explore new horizons for growth in new markets and aligned businesses.

In support of these key strategies, we aim to maintain a lower capital operating model and minimise exposure to high levels of fixed costs and volatility where this is possible. For example, our retail business operates under a leasehold model to reduce capital allocated to real estate, but at the same time share the fixed lease costs with our partner Coles under the Alliance agreement. Our partnership with Vitol provides access to a competitive supply of crude oils and refined products while more effectively managing traditional risks associated with procuring significant volumes on the open market.

Most importantly, we maintain a strong commitment to safe and reliable operations. We believe every incident is preventable and are committed to pursuing the goal of no harm to people and protecting the environment. We call this 'Goal Zero'. To achieve this we manage safety in a systematic way and we believe that providing a safe workplace and ensuring safe outcomes is an ethical responsibility. We seek to achieve this through effective management of both personal and process safety, as well as focused asset integrity management and proactive health and wellness initiatives.

2020 Business Performance Summary

During 2020 the response to the COVID-19 pandemic had a significant impact on our business and our customers. As always, our priority has been the health and safety of our people and ensuring that we continue to operate safely and reliably to serve our customers and the broader community.

While fuel sales were impacted by the 'stay at home' and border restrictions that were in place around the country at various times in 2020, our Non-Refining Underlying EBITDA (RC) increased by approximately 16.5% over the prior year. This result was particularly supported by resilience in diesel sales through both retail and commercial channels (2.5%), improved retail fuel margins, and a strong Specialty business performance.

Retail sales volumes are recovering as the country settles into a 'covid-normal' state, and while aviation sales volumes remain down 66.0% in December 2020, compared to December 2019, our regional aviation business and other commercial businesses have continued to perform well.

The Refining business has been heavily impacted by the substantial decline in both domestic and global oil demand. The Company made the decision to bring down some processing units in late April 2020 to reduce production and bring forward the planned major maintenance work which was completed in November 2020. All processing units have been restarted, and with the recovery in Victorian fuel demand following the relaxation of 'stay at home' restrictions the refinery has returned to full production.

While Geelong Refining Margins have improved over the final quarter of 2020 with the increase in production, the refining outlook remains challenging given the longer-term impact to global oil demand from the pandemic. The Fuel Security Package announced by the Federal Government in September 2020, and the commencement of the six month interim Refinery Production Payment from 1st January 2021, provides important support to the refining business. The Company continues to work closely with the Federal Government on the design and implementation of the longer-term Fuel Security Package beyond the conclusion of the interim Refinery Production Payment.

Overall, the Group has performed well during 2020 given the difficult trading conditions. The Non-Refining businesses have delivered significant growth over the prior year, and while the Group results have been impacted heavily by the global weakness in the refining sector, we have taken steps to minimise the cash impacts from this event. We continue to work closely with Government to improve the longer-term outlook for this part of the business. The Group has returned the bulk of proceeds from the divestment in Viva Energy REIT to shareholders and retains a strong balance sheet to pursue market growth as it potentially returns in 2021.

Operating and financial review (continued)

Our personal safety performance improved on the previous year, with a more than 20% improvement in recordable injury frequency compared to the injury frequency recorded in 2019, including a 50% reduction in recordable injuries across both the logistics and facilities operations. The business recorded three API Tier 1 / 2 process safety events during 2020 compared with two process safety events in 2019. Overall there was a significant reduction in large spills or loss of containment events, with an almost 30% reduction in loss of containment incidents greater than 100kg compared to 2019. In 2021 the focus will be on implementing enhanced programs to manage the integrity of our assets as effectively as possible and drive reductions in loss of containment events, given the process safety, environmental and reputational implications of such events.

Viva Energy Consolidated Results for the Full Year ended 31 December 2020

The Group Net Loss After Tax on a historical cost basis ('HC') for FY2020 was -$36.2 million ('M'). After adjusting for significant one-off items and net inventory gain/(loss), Underlying Net Loss After Tax on a replacement cost basis for the period was -$35.9 million. A reconciliation from Statutory Loss After Tax (HC) to Underlying Net Loss After Tax (RC) is summarised in the table below.

Reconciliation of Statutory Loss After Tax to Underlying Net Loss After Tax (RC)	(A$M)
Statutory Loss After Tax	**(36.2)**
Add: Significant one-off items net of tax	(179.3)
Add: Net inventory loss net of tax	179.6
Underlying Net Loss After Tax (RC)	**(35.9)**

The Underlying Net Loss After Tax (RC) result is in line with the guidance update provided to the market on 18 December 2020.

Historical cost is calculated in accordance with IFRS and shows the cost of goods sold at the actual prices paid by the business using a first in, first out ('FIFO') accounting methodology. As such, HC accounting includes gains and losses resulting from timing differences between purchases and sales of inventory and the rise and fall of oil and product prices during that time. Gains and losses arising from the rise and fall of oil and product prices are typically offset by a change in working capital because of the higher or lower cost to replenish inventory. Replacement cost is a non-IFRS measure under which the cost of goods sold is calculated on the basis of theoretical new purchases of inventory instead of the historical cost of inventory. As a result, it removes the effect of timing differences to enable users of the financial information to more consistently assess the underlying performance of the business.

Operating and financial review (continued)

2020 Business Performance Summary (continued)

Summary Statement of Profit and Loss

	(A$M)	31 December 2020	31 December 2019	Variance
	Revenue	12,409.9	16,541.6	(4,131.7)
	Cost of goods sold (RC)	(11,082.9)	(15,025.8)	3,942.9
	Gross Profit (RC)	**1,327.0**	**1,515.8**	**(188.8)**
	Retail, Fuels & Marketing			
	Retail	*828.2*	*688.5*	139.7
	Commercial	*449.0*	*545.8*	(96.8)
	Refining	*50.3*	*299.8*	(249.5)
	Supply, Corporate and Overheads	*(0.5)*	*(18.3)*	17.8
1.	**Total Underlying EBITDA (RC)**	**519.4**	**644.5**	**(125.1)**
	Retail, Fuels & Marketing			
	Retail	*670.8*	*564.3*	*106.5*
	Commercial	*238.3*	*296.5*	*(58.2)*
	Refining	*(95.1)*	*117.0*	*(212.1)*
	Supply, Corporate and Overheads	*(294.6)*	*(333.3)*	*38.7*
2.	Share of profit from associates	10.6	60.2	(49.6)
	Net gain/(loss) on other disposal of assets	(1.9)	(1.9)	(0.0)
3.	Revaluation gain on FX and oil derivatives	2.4	43.1	(40.7)
4.	Depreciation and amortisation	(388.8)	(355.7)	(33.1)
	Profit before interest and tax (RC)	**141.7**	**390.2**	**(248.5)**
5.	Net finance costs	(185.5)	(188.2)	2.7
	Profit before tax (RC)	**(43.8)**	**202.0**	**(245.8)**
6.	Income tax benefit/(expense)	7.9	(66.2)	74.1
7.	**Underlying Net (Loss)/Profit After Tax (RC)**	**(35.9)**	**135.8**	**(171.7)**
8.	Significant one-off items (net of tax)	179.3	4.0	175.3
	One-off deferred tax benefit including tax consolidation	-	8.2	(8.2)
	Net Profit After Tax (RC)	**143.4**	**148.0**	**(4.6)**
9.	Net inventory loss	(256.6)	(49.5)	(207.1)
6.	Net inventory loss tax benefit	77.0	14.8	62.2
	Net (Loss)/Profit After Tax (HC)	**(36.2)**	**113.3**	**(149.5)**
	Statutory earnings per share (HC)	(1.9)	5.8	(7.8)
	Underlying earnings per share (RC)	(1.9)	7.0	(8.9)

Operating and financial review (continued)

Summary Statement of Profit and Loss Analysis

1. Underlying EBITDA (RC)

Retail

The Retail segment comprises a national network of over 1,300 retail fuel and convenience sites which are operated through various channels such as Coles Express under a long term alliance ("the Alliance"), Liberty Convenience, and sites operated by independent dealer owners. Retail also includes sales to wholesalers and independent retail operators.

During the year the Group acquired the remaining 50% interest of Westside Petroleum Pty Ltd (Westside) and continues to hold a 50% interest in Liberty Oil's retail business (Liberty Convenience).

Petrol sales volumes were heavily impacted during 2020 following the 'stay at home' restrictions, with sales volumes down approximately 12% on 2019. Retail fuel sales have recovered as restrictions have been relaxed across Australia, with weekly fuel sales in the retail Alliance channel reaching an average of 59 million litres per week in the final quarter of 2020, up 13% on the quarter ended 30 September 2020.

Improved Retail fuel margins have more than offset the decline in retail sales volumes, with Retail Underlying EBITDA (RC) of $670.8M up $106.5M when compared with $564.3M achieved in 2019. The Company continues to grow and enhance its retail network, with the total branded network (including independently owned and operated) now exceeding 1,300 service stations.

Commercial

Commercial consists of the supply of fuel, lubricants and specialty products to commercial customers in the aviation, marine, bulk transport, resources, government, construction and manufacturing industries.

Commercial sales volumes for 2020, excluding Aviation, remained resilient with total volumes down approximately 4% on 2019. Aviation sales volumes were down approximately 57% compared to 2019 as a result of border restrictions in place since the start of the pandemic, and Aviation volumes are expected to continue to be impacted by domestic and international travel restrictions. Lower supply chain costs reflective of the lower sales volumes and actions to reduce fixed costs have helped to mitigate the impact on the Group's EBITDA. The Aviation business received $5.8M by way of the Government JobKeeper grant.

Marine business profitability remained strong and in line with 2019 despite the temporary cessation of cruises to Australia. The Group has taken steps to retire two of the barges that were dedicated to this work and is preparing to reinstate capacity when activity recovers. Despite some weaker demand from the coal sector, sales of fuel and lubricants to the broader resources sector held up well during the year. The Group worked closely with its customers to successfully manage credit exposure and has not experienced any material loss.

Overall, Commercial achieved an Underlying EBITDA (RC) of $238.3M down $58.2M when compared with $296.5M achieved in 2019, which reflects the robustness of the diverse portfolio of our business to business activities.

Refining

Refining relates to the earnings from the refinery located in Geelong, Victoria ('The Geelong Refinery') which is owned and operated by the Group and converts imported and locally sourced crude oil into petroleum products including gasoline, diesel, jet fuel, aviation gasoline, gas, solvents, bitumen and other specialty products.

Refinery operations during the year were very challenging, with oil markets exceptionally weak due to three major global events occurring in the past twelve months – the International Maritime Organisation ('IMO') 2020 marine fuel specification change, OPEC moving from an initial supply war to production discipline and the unprecedented COVID-19 oil demand destruction.

Early in the year the transition to IMO2020 initially led to a sharp increase in sweet crude premia which weighed heavily on refining margins as diesel margins failed to increase and compensate as expected. The oversupply of crude caused initially by increased OPEC production, and further impacted by refinery run cuts due to COVID-19 demand destruction, then led to a substantial reduction in these premia.

The outbreak of COVID-19 had immediate impacts on the refinery, with local demand for gasoline and jet products significantly reduced and weaker regional refining margins due to lower global demand. In response to this environment, refinery production was reduced and the refinery operated in a hydro-skimming mode with its Residual Catalytic Cracking Unit (RCCU) unit shut down between May 2020 and November 2020. This enabled the refinery to

Operating and financial review (continued)

Summary Statement of Profit and Loss Analysis (continued)

1. Underlying EBITDA (RC) (continued)

Refining (continued)

feasibly manage gasoline and jet production, and reduce exposure to weak jet and gasoline margins. As a result of the change in operating mode, intake was reduced to 34.8.MBBLS for the year compared to 42.0MBBLS in 2019.

Since the processing units were restarted in November 2020, Geelong Refining Margin (GRM) has improved, with November 2020 achieving US$5.0/Barrel (BBL) on refining intake of 2.8MBBLs and December 2020 US$4.9/BBL on refining intake of 3.2.MBBLs. Overall for the 12 month period, GRM was US$3.1/BBL on intake of 34.8MBBLs.

Despite lower production, costs were broadly in line with last year with the refinery largely operating with a full workforce. The Refinery also received $19.1M by way of the Government JobKeeper grant. For the 2020 financial year, the Refinery delivered an Underlying EBITDA (RC) of ($95.1M), lower than the FY2019 Underlying EBITDA (RC) of $117.0M. Operational availability (taking into account the above-mentioned shutdowns) in 2020 was 91.9%, an identical result to the 91.9% achieved in 2019.

The RCCU maintenance project commenced in July 2020 was completed over 128 days compared to the original 55-day plan. This approach was undertaken to best manage workforce risks associated with COVID-19 and to reduce event costs. An associated maintenance project on the Hydrofluoric Acid Alkylation unit has been deferred for planned completion during the second half of 2021. Total capital expenditure for the RCCU project in 2020 was $92.3M, within the forecast range of $85.0M - $100.0M.

Supply, Corporate and Overheads

Supply, Corporate and Overheads consists of Viva Energy's integrated supply chain of terminals, facilities, depots, pipelines and distribution assets located across Australia, as well as site maintenance costs and all head office costs.

Supply, Corporate and Overheads delivered an Underlying EBITDA (RC) of ($294.6M) in FY2020, an improvement of $38.7M compared with ($333.3M) achieved in 2019. Supply chain costs reduced relative to 2019, reflective of lower sales volumes, reductions in non-essential maintenance costs and improvements in demurrage and ocean freight costs. Corporate cost reductions and overall savings were achieved from lower site maintenance and an internal focus on cost management across all parts of the business, offsetting increased insurance costs.

2. Share of profit from associates

Share of profit from associates includes two months share of profit from Viva Energy REIT (now called Waypoint REIT) compared to twelve months in the prior comparable period as the Group sold its security holding in this investment at the end of February 2020. Also included in this line item is the Group's 50% share of profit/(loss) from Liberty Convenience (12 months) and Westside (eight months to the end of August 2020, being the timing of the acquisition of the remaining share of Westside).

3. Revaluation gain on FX and oil derivatives

Revaluation gain/(loss) on FX and oil derivatives is impacted by realised and unrealised foreign exchange and associated hedges, flat oil price hedges and refinery margin hedging. During the year a gain of $2.4M was recognised primarily as a result of favourable oil price hedges taken out over the course of the year, offset by the impact of the increase in the US / AUD exchange rate, particularly in the second half of the year.

4. Depreciation and Amortisation

Depreciation and amortisation includes $216.2M of depreciation on the Group's right of use assets (increased by $17.1M compared to 2019), $140.2M of depreciation on property, plant and equipment (increased by $12.1M) and $32.4M of amortisation expense (increased by $3.9M).

The increase in depreciation on right of use assets is driven by the inclusion of a full year of Liberty Wholesale results (acquired on 1 December 2019), the inclusion of Westside Petroleum results since acquisition on 31 August 2020 and the impact of new sites entered into part way through 2019 and in 2020.

Depreciation on property, plant and equipment increased year-on-year primarily as a result of the impact of a full twelve-months of charges from the large number of assets under construction capitalised during the course of 2019. Amortisation charges have increased primarily due to an additional two months of amortisation relative to the prior comparative period from the one off payment of $137.0M made to Coles Express upon extending the Alliance agreement (effective 1 March 2019). Amortisation of brand and customer contract intangibles recognised on acquisition of Liberty Oil Holdings has also contributed to the period on period increase.

Operating and financial review (continued)

Summary Statement of Profit and Loss Analysis (continued)

5. Net finance costs

Net finance costs of $185.5M were $2.7M lower than the prior comparative period and consisted of interest income of $4.4M, interest expense on borrowings, amortised transaction costs and fees associated with trade finance instruments of $12.5M, finance costs associated with leases of $171.0M and the unwinding of discount on balance sheet provisions of $6.4M.

The decrease of $2.7M is due primarily to the Group being in a net cash position for most of the period following the sale of the Group's investment in Viva Energy REIT (now called Waypoint REIT). Offsetting the reduction in net cash related finance costs is an increase in lease related charges reflecting the additional leases forming part the acquisition of Liberty Oil Holdings on 1 December 2019 and Westside on 31 August 2020.

6. Income tax benefit

Viva Energy is subject to income tax expense on the basis of historical cost earnings (NPAT HC) rather than replacement cost earnings (NPAT RC).

The underlying income tax benefit of $84.9M ($7.9M before tax on net inventory loss/gain) for the period represents an effective tax rate of 28.3% This does not include the impact of tax relating to significant one-off items (refer to section 8 below).

7. Underlying Net (Loss) / Profit After Tax (RC)

The Underlying Net Loss After Tax (RC) of -$35.9 million (compared to a $135.8 million profit in FY2019) is a reflection of the difficult conditions the Refinery operated in during the year combined with the impact of the significant reduction in aviation activity. Offsetting these reduction in part are the improved result for Retail and for Supply, Corporate and Overheads. Below EBITDA, reduced share of profit from associates due to the sale of the Group's investment in Viva Energy REIT (now called Waypoint REIT), lower gains on revaluation of FX and oil derivatives and higher depreciation and amortisation due to the inclusion of full year of Liberty Wholesale's results also negatively impacted the Group's underlying Net Loss After Tax for the year.

The Underlying Net Loss After Tax (RC) result is in line with the guidance update provided to the market on 18 December 2020.

8. Significant one-off items (net of tax)

In February 2020 the Group sold its 35.5% security holding (276,060,625 stapled securities) in Viva Energy REIT (now called Waypoint REIT) for an average of $2.66 per security by way of a fully underwritten block trade, and a sale to each of Charter Hall Group and the Charter Hall Long Wale REIT.

The significant one-off gain of $179.3M relates to this sale, reflecting the pre-tax gain of $113.9M and a favourable write-back of the $112.3M associated deferred tax liability, partially offset by the tax expense associated with the sale of $46.9M.

The deferred tax liability of $112.3M was based on the expected tax outcomes relating to the continued holding of the securities. Once the securities were sold, the deferred tax balance could be released.

9. Net inventory loss

Net inventory loss relates to the effect of movements in oil price and foreign exchange on inventory recorded at historical cost using the First In, First Out ('FIFO') principle of accounting.

The loss of $179.7M (net of tax) recorded for 2020 reflects the decrease in oil prices experienced during the period, with the largest, most significant falls experienced during March 2020 with global macroeconomic factors affecting oil prices.

Operating and financial review (continued)

Summary Statement of Financial Position

(A$M)		31 December 2020	31 December 2019	Variance
1.	Working capital	89.9	197.4	(107.5)
2.	Property, plant and equipment	1,478.1	1,474.8	3.3
3.	Right-of-use assets	2,321.5	2,328.1	(6.6)
4.	Intangible assets	646.7	657.0	(10.3)
5.	Investment in associates	15.4	641.8	(626.4)
6.	Net cash / (debt)	(104.2)	(137.4)	33.2
7.	Lease liability	(2,534.3)	(2,448.3)	(86.0)
8.	Long-term provisions, other assets and liabilities	(181.8)	(155.5)	(26.3)
9.	Net deferred tax asset	325.8	166.0	159.8
10.	**Total equity**	**2,057.1**	**2,723.9**	**(666.8)**

Summary Statement of Financial Position Loss Analysis

1. Working capital

Working capital decreased primarily as a result of a reduction in average benchmark crude and refined product prices of A$31.2/BBL between December 2019 and December 2020.

2. Property, plant and equipment (PP&E)

Property, plant and equipment relates to freehold terminal property, leasehold retail and terminal improvements, plant and infrastructure such as tanks and pipelines held at terminals, airports and retail sites and the Geelong Refinery land and equipment.

Property, plant and equipment ("PPE") increased year-on-year primarily due to the acquisition of Westside Petroleum during the year, with non-essential capital expenditure deferred or re-assessed. The most significant project undertaken during the year was the major maintenance of the refinery's Residual Catalytic Cracking Unit (RCCU). The planned maintenance of the Hydrofluoric Acid Alkylation unit which was scheduled to be completed at the same time has been deferred for potential completion during the second half of 2021.

The increase of $3.3M represents additions of $165.4M being capital expenditure of $157.4M, asset retirement obligation additions of $1.2M and land purchased for resale of $6.8M. Also, leading to an increase in PPE is the impact of a change in the discount rate used to value Asset retirement obligations of $4.5M and PPE acquired through the acquisition for the remaining 50% of Westside Petroleum of $6.0M. Offsetting these increases were depreciation of $140.2M, disposals of $17.1M, transfers of completed software projects to intangibles and leased assets to Right of Use assets of $15.3M. A breakdown of capital expenditure by segment is outlined below.

(A$M)		FY2020	FY2019	Variance
a.	Retail, Fuels & Marketing	18.6	18.4	0.2
b.	Refining			
	Major Maintenance	92.3	49.5	42.8
	Other refining	25.0	39.0	(14.0)
c.	Supply, Corporate and Overheads	21.5	54.8	(33.3)
	Capital Expenditure	**157.4**	**161.7**	**(4.3)**

Operating and financial review (continued)

Summary Statement of Financial Position Analysis (continued)

2. Property, plant and equipment (PP&E) (continued)

a. Retail, Fuels & Marketing

Retail, Fuels and Marketing capital expenditure of $18.6M increased slightly on FY2019 spend of $18.4M. Expenditure during the year was focussed on essential projects required to ensure asset integrity, branding of new sites acquired during the period, opening of new sites to the network and the transition of sites previously operated by the Group into the Alliance network.

b. Refining

Major Maintenance

The Group incurred $92.3M of capital expenditure in relation to the major maintenance of the refinery's RCCU. This work was undertaken in line with the unit's maintenance cycle (four yearly major maintenance). Major maintenance work undertaken in the prior year related to the refinery's sulphur recovery units.

Other refining capital expenditure

Other refinery capital expenditure of $25.0M relates to the finalisation of the Distributed Controls Systems project (upgrading the computerised controls system for automated processes at the refinery) and of the Bitumen Manufacturing Complex project (to improve the efficiency of the bitumen plant and deliver the full benefits of the Bitumen Import/Export facility). Other work undertaken included a catalyst change to hydrogen sulphide unit (HDS2) and general essential tank and asset integrity projects.

c. Supply, Corporate and Overheads

Supply Chain and Corporate capital expenditure of $21.5M was lower than FY2019 predominantly due to deferral and re-assessment of planned projects. Expenditure during the year was focussed on essential projects required to ensure asset integrity including works undertaken at the Gore Bay facility to upgrade wharf piles and fenders and work maintaining the terminals tanks and equipment.

3. Right-of-use assets

The right-of-use assets balance at year-end was $2,321.5M, a decrease of $6.6M from the prior comparative period. Impacting this balance during the year were lease extensions, new leases and the impact of lease payment escalations totalling $122.2M (net of the impact of terminations), additional leases due to the acquisition of Westside Petroleum of $76.5M and reclassifications from PPE of $10.9M. Depreciation charges of $216.2M were recognised during the year.

4. Intangible assets

Intangible assets decreased by $10.3M during the year primarily due to amortisation charges of $32.4M offset in part by the recognition of Goodwill ($19.2M) on acquisition of the remaining 50% of Westside Petroleum. Also contributing to the year-on-year movement is the capitalisation of software projects (+$4.5M), additions of ($1.1M) and a reduction in goodwill recognised on the 2019 acquisition of Liberty Wholesale (-$2.8M).

5. Investment in Associates

Investments in associates decreased by $626.4M during the period primarily due to the sale of the Group's 35.5% security holding in Viva Energy REIT (now called Waypoint REIT) in February 2020.

Also impacting this balance is the recognition of the Group's 50% of profit/(loss) from Liberty Convenience and Westside. Share of profit/(loss) from associates is recorded against this investment offset by distributions or dividends received.

6. Net debt

Net debt relates to Viva Energy's Revolving Credit Facility (RCF) which is used as a working capital facility to fund fluctuations in working capital, net of cash at bank. Viva Energy does not hold any long term structural debt. Net debt drawn for the full year was close to nil driven primarily by the change in working capital and the management of stock levels throughout the second half of the year.

7. Lease liability

The lease liability balance at year-end was $2,534.3M, an increase of $86.0M from the prior comparative period with lease extensions, new leases and lease escalations of $122.2M, additional leases due to the acquisition of Westside Petroleum of $85.3M and reclassifications from trade payables of $3.3M. Payments of lease principal totalling $124.8M were made during the year.

Operating and financial review (continued)

Summary Statement of Financial Position Analysis (continued)

8. Long term provisions, other assets and liabilities

Long-term provisions, other assets and liabilities predominantly relate to: (i) long-term provisions associated with asset retirement obligations required by accounting standards and (ii) long-term environmental provisions.

The increase in the net liability of $26.3M during the year primarily represents a decrease in post-employment benefits, the unwinding of the discounting on the Group's long-term payable and the elimination of the loan to Westside Petroleum due to the acquisition of the remaining 50% of the associated during the year.

9. Net deferred tax asset

Net deferred tax assets relate to the tax effected difference between the carrying value of assets and liabilities recorded for accounting purposes, and those recorded for tax purposes.

The increase in net deferred tax assets of $159.8M was primarily due to adjustments in the current period connected with the Group's sale of its 35.5% security holding in Viva Energy REIT (now called Waypoint REIT) along with recognition of the tax loss generated during the year.

Prior to the sale of its security holding in Viva Energy REIT, the Group held a deferred tax liability of $112.3M based on the expected tax outcomes of the Group continuing to hold the securities. Once the securities were sold, the deferred tax balance could be released.

Given the significant impact on the Group's business resulting from the COVID-19 pandemic, the Group generated a tax loss with a tax effect of $70.8M in the 2020 year. That loss is available to be carried forward and it is considered probable that future taxable profit will be available against which the tax loss can be utilised.

Also impacting the balance during the period are the typical movements in deferred tax due to origination or reversal of temporary differences between taxable income and profit during the year, along with movements posted directly to equity or other comprehensive income.

10. Total Equity

Total equity decreased by $668.8M primarily due to the Capital Management activities undertaken during the year being a Capital Return of $414.4M, a Special Dividend of $114.4M[1], and the Share Buy-Back program ($50.3M). Also impacting Equity during the year was the net loss after tax of $36.2M, the payment of dividends ($66.1M)[1] and other transactions relating to: the Group's Share Based incentive plans, the recycling of the fair value of cash flow hedges, tax adjustments relating to the IPO transaction costs and the purchase of treasury shares.

[1] Net of the impact of treasury shares

Operating and financial review (continued)

Summary Statement of Cash Flows

(A$M)		31 December 2020	31 December 2019	Variance
	Profit before interest, tax, depreciation and amortisation (HC) before significant items	**273.9**	**696.4**	**(422.5)**
	(Increase)/decrease in Trade and other receivables	456.3	(8.1)	464.4
	(Increase)/ decrease in inventories	497.9	(172.9)	670.8
	(Increase)/decrease in Prepayments	9.0	5.9	3.1
	(Decrease) / Increase in Trade and other payables	(859.6)	162.1	(1,021.7)
	(Decrease) / increase in provisions	(6.9)	(19.9)	13.0
1.	Changes in working capital	96.7	(32.9)	129.6
2.	Non-cash items in profit before interest, tax, depreciation and amortisation	5.5	(54.5)	60.0
	Operating free cash flow before capital expenditure	**376.1**	**609.0**	**(232.9)**
	Payments for PP&E and intangibles	(158.5)	(161.7)	3.2
	Proceeds from sale of PP&E	15.0	0.3	14.7
	Coles Express Alliance payment	-	(137.0)	137.0
3.	Proceeds from sale of investments	730.1	-	730.1
4.	Payment for treasury shares (net of contributions)	(8.8)	(20.0)	11.2
5.	Share buy back	(50.3)	-	(50.3)
6.	Dividends received from associates	19.8	40.8	(21.0)
	Net free cash flow before financing, tax and dividends	**923.4**	**331.4**	**592.0**
	Loan to Westside Petroleum	-	4.1	(4.1)
	Finance costs	(177.6)	(180.3)	2.7
	Net cash consideration paid for step acquisition of associate	(1.0)	(24.8)	23.8
7.	Net Income tax refund / (payments)	11.8	(26.2)	38.0
8.	Dividends paid	(180.5)	(134.2)	(46.3)
9.	Capital return	(414.4)	-	(414.4)
	Repayment of lease liability	(124.8)	(106.2)	(18.6)
	Net cash flow before borrowings	**36.9**	**(136.2)**	**173.1**
	Net (repayment)/drawings of borrowings	(107.2)	147.1	(254.3)
	Net cash flow	**(70.3)**	**10.9**	**(81.2)**
	Opening net debt	**(137.4)**	**0.2**	**(137.6)**
	Net debt acquired - Westside Petroleum	(2.2)	**-**	**(2.2)**
	Amortisation of borrowing costs	(1.4)	(1.4)	-
	Reclassification of borrowing costs	(0.1)	-	(0.1)
	Closing net debt	**(104.2)**	**(137.4)**	**33.2**
	Change in net debt	**36.9**	**(136.2)**	**173.1**

Operating and financial review (continued)

Summary Statement of Cash Flows analysis

1. Changes in working capital

Inventory decreased as a result of a decrease in average benchmark crude and refined product prices of A$31.2/BBL offset in part by increased closing stock levels.

2. Non-cash items

Profit before interest, tax, depreciation and amortisation (HC) before significant items includes certain non-cash items, comprising share of profit in associates of $10.6M, profit on sale of assets of $5.5M, offset by unrealised losses on foreign exchange and derivatives of -$10.8M, a non-cash adjustment on the Westside step-acquisition (-$7.4M) and transactions relating to employee share based payments and other minor amounts.

3. Proceeds from sale of investments

In February 2020, the Group sold its 35.5% security holding (276,060,625 stapled securities) in Viva Energy REIT (now called Waypoint REIT) for an average of $2.66 per security by way of a fully underwritten block trade, and a sale to each of Charter Hall Group and the Charter Hall Long Wale REIT. Total proceeds of $734.3M were received and $4.2M of transaction costs were incurred which resulted in net proceeds of $730.1M.

4. Payment for treasury shares (net of contributions and capital returns)

During the year 6,545,012 shares were purchased at an average price of $1.43 per share ($9.3M) and received purchase contributions from employees of $0.5M.

5. Share buy back

As announced on 18 March 2020, the Company commenced an on-market buy-back programme during the period. Purchasing of shares under the buy-back programme commenced on 18 June 2020 with 27,397,847 shares purchased by 31 December 2020 at an average price across the period of $1.8250 per share. Transaction costs of $0.3M were also incurred.

6. Dividends received from associates

The Group received payment of Viva Energy REIT's (now called Waypoint REIT) 2019 final dividend prior to the sale of its investment in the company.

7. Net Income tax refund / payments

The net income tax cash refund of $11.8M for the year represents a $41.1M tax refund received in August 2020 from the ATO post-lodgement of the Group's 2019 financial year income tax return (whereby instalments paid during the prior year exceeded the Group's final tax liability), tax instalments of $23.9M paid by the Group in the current year to the ATO, and tax payments of $5.4M by the Group on behalf of its Singapore tax resident entity (Viva Energy S.G. Pte Ltd) to the Singapore tax authority.

8. Dividends paid

On 15 April 2020 the Company paid a fully-franked dividend of 2.6 cents in relation to the six months ended 31 December 2019 ($50.6M) and on 16 September 2020 paid a fully-franked dividend of 0.8 cents in relation to the six months ended 30 June 2020 ($15.5M). In addition, the Company paid a special dividend of 5.94 cents per share on 13 October 2020 as part of the Group's capital management program totalling $114.9M. Included in the $181.0M of dividends determined and paid during the year was $0.5M in dividends relating to treasury shares on hand.

9. Capital return

On 13 October 2020, the Company returned $415.1 million to shareholders by way of a capital return of 21.46 cents per share as part of the Group's capital management program. Of this payment, $1.0M related to the Group's treasury share holding at the time of payment. Transaction costs of $0.3M were incurred.

Risk Management

Our growth and success depends on our ability to understand and respond to the challenges of an uncertain and changing environment. This uncertainty generates risk, with the potential to be a source of both opportunities and threats. By understanding and managing risk, we provide greater certainty and confidence for all our stakeholders.

Our Enterprise Risk Management (ERM) Framework and related risk management policies and procedures are designed to identify, assess, monitor and manage risk and where appropriate, keep relevant stakeholders informed of material changes to the Group's risk profile.

Operating and financial review (continued)

Risk Management (continued)

The Board considers risk management fundamental and pertinent to the success of the Group and takes ultimate responsibility for its oversight and stewardship. Notwithstanding, risk oversight and management is a responsibility shared by all in the Group.

The Group articulates its tolerance levels for risk that it is prepared to accept in the execution of its strategic and business objectives. Management regularly demonstrates to the Board that the Company is operating with due regard to its risk appetite.

We identify:

- Those risks, being operational, financial and regulatory that have the capability of impacting achievement of the Group's strategy and goals (Strategic Risks).
- Those risks that have the capability to cause harm to people, the environment, assets or our reputation as a result of Viva Energy undertaking its operations (Health, Safety, Security and Environment (HSSE) risks).

Some risks are both strategic and HSSE in nature.

Executive management and the Board regularly review the risks identified, challenge how they are mitigated and assess the assurance activities directed toward the key controls over each of the risks.

Strategic Risk	**Our Response**
Compliance and regulatory risk	
Compliance Viva Energy is subject to a wide range of legislative and regulatory obligations and we operate a number of facilities under various permits, licences and approvals (Regulatory Approvals) including facilities designated as Major Hazard Facilities. Failure to comply with legislative requirements or the conditions of Regulatory Approvals may cause damage to our brand and reputation. It could also result in fines and penalties and/or loss of applicable Regulatory Approvals, which would adversely impact Total Shareholder Return (TSR). Action by governments and regulators Changes in laws or the conditions of Regulatory Approvals could also materially impact our strategic objectives, operations and TSR.	Compliance • Our compliance program incorporates Business Principles and Code of Conduct, policies and procedures, staff compliance training and audits. • We have detailed operating procedures, standards, training, audit and assurance programs. • We have the specialised knowledge we need in our teams and from external consultants and we involve subject matter experts to minimise the risk of non-compliance with permits, legislation and regulation. • We monitor existing regulatory requirements. • We have a robust licence renewal submission process to ensure that the business is not subject to onerous additional conditions. Action by governments and regulators • We monitor political activity and proposed changes to the law. • We work with select industry bodies to influence on issues that may affect our industry. • We engage with regulatory bodies and lawmakers both directly and through industry bodies on issues that may affect our industry.
Commodity price exposure	
Viva Energy is exposed to the risk of movements in global hydrocarbon pricing, particularly in respect of the refining margin earned by the Geelong Refinery. Fluctuation in the refinery margin can impact TSR.	• We manage commodity price exposure through active monitoring of commodity price exposure, hedging and the purchase or sale of swap contracts up to 24 months forward.

Operating and financial review (continued)

Risk Management (continued)

Strategic Risk	Our Response
Operational and supply chain risks	
Our operations and supply chain can be disrupted by events such as extreme weather, accidents, breakdown or failure of infrastructure, and interruption of power supply. Disruption to any part of Viva Energy's supply chain could impact our operations and TSR. The Geelong Refinery may be disrupted by mechanical failures, equipment shutdowns, major accidents and other events that disrupt operations. Any such event may have a material adverse impact on refining capacity and revenues. The continuing threat of further outbreaks from the COVID-19 pandemic may have a material impact on operations or financial results should government imposed restrictions cause a decline in demand for our products, or affect the credit position of our customers (amongst other matters). In early 2021, ExxonMobil announced the closure of its Altona Refinery to take effect in 2021. LyondellBasell Australia operates a polypropylene manufacturing plant (the "LBA Plant") that is adjacent and connected to the Geelong Refinery. The LBA Plant takes product generated from refining activities at the Geelong Refinery and the Altona refinery and uses such product as feedstock to its own plant. With the closure of the Altona refinery, operations at the LBA Plant may be impacted, which may in turn have an adverse impact on the operations of the Geelong Refinery.	<u>Supply chain</u> • We maintain minimum stock levels. • We conduct due diligence assessments on shipping and road transport providers. • We also manage this risk through alternative supply options. • We maintain insurance coverage for major events and supply interruptions. <u>Refinery</u> • The Geelong Refinery has a proactive monitoring, inspection and preventative maintenance program to manage the risk of HSSE incidents and unplanned plant outages. • In line with better practice and industry standards, unit turnarounds are undertaken every 4-6 years. • The business has emergency and crisis management plans in place and regularly undertakes simulated response exercises to test the effectiveness of these plans. These exercises often include the relevant community and emergency response authorities. • We invest in utility infrastructure to minimise the impact of disruptions to externally provided resources such as gas, electricity or water. • We maintain sufficient finished product stock levels to ensure adequate buffer to cover typical potential unplanned outages. • To address the risk of COVID-19 directly impacting our ability to operate the refinery various measures were put in place to reduce / limit the impact of COVID-19 infiltrating the workplace, for example minimising the number of staff on site and the use of temperature checks. • We continue to monitor and vet international shipping and procurement activities, and provide regular updates to all employees, including current advice from the Department of Heath. • We continue to work with LBA on the implications of the closure of the Altona Refinery and assessing mitigating options to address the risk for the Geelong Refinery.

Operating and financial review (continued)

Risk Management (continued)

Strategic Risk	Our Response
HSSE risks	
Processing, transportation and storage of crude oil and petroleum products, and the operation of the Geelong Refinery and fuel storage facilities, include inherently hazardous and dangerous activities. A major incident could result in injury or fatality and/or damage to the environment. This could also negatively impact our brand and reputation, and TSR. There is also a risk of smaller spills and leaks of petroleum and crude oil to the environment, which would give rise to liabilities for clean-up and remediation costs.	• We have in place a comprehensive HSSE control framework and management system. • Our HSSE Management System is supported by a number of policies, procedures and standards designed to ensure that HSSE risks are either eliminated or reduced so far as reasonably practicable. • We provide appropriate information, instruction, training and supervision to our people to drive safe operations at all levels. • We have a risk-based audit and assurance program, which reviews facilities and critical activities against the HSSE Management System, legislative requirements and industry best practice in order to identify continuous improvement opportunities. • Significant and high potential events are investigated to identify root causes, with corrective actions put in place and learnings shared across our operations. • HSSE performance is one of our key performance indicators that is actively measured and reported to the Board.
Key strategic relationships and third party branding	
We have a number of key business and operational relationships, including with Coles Express, Shell and Vitol. A material deterioration in the nature of Viva Energy's arrangements with these parties or a material decline in the performance of these parties or their reputation or brand has the potential to negatively impact our brand and reputations as well as TSR.	• We manage this risk through our contractual rights. • We carry out assurance activities at Coles sites, which address key operational performance. • We have established a crisis management team and we undertake an annual crisis management training exercise jointly with Shell. • We have regular engagement with representatives of all third parties.

Operating and financial review (continued)

Risk Management (continued)

Strategic Risk	Our Response
Climate change	
Climate change risk has both transitional and physical elements. Transitional risk is the risk flowing from a transition to a lower-carbon economy that may affect the Group's business model in the future. Physical risk is the risk flowing from acute events or chronic longer-term shifts in climate patterns resulting from climate change that may require mitigation and adaptation actions. The risk to our business includes: • decline in demand for our products due to government policy, technology or market changes in response to climate change; • increased operating costs arising from regulatory responses to reduce greenhouse gas emissions (such as a price on carbon); • increased reputational impacts affecting our ability to attract investment and talent; and • physical impacts on our assets and supply chains from increased frequency and severity of extreme weather and rising sea level events.	• We seek to understand our performance in a range of future demand scenarios, including by assessing the potential impacts of transitional risks on the performance of our business units. • We have adopted the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) as a framework for our climate risk assessment and disclosures. • We actively monitor industry forecasts and technological developments to understand where the industry and energy markets are heading. • Our strategy focuses on our core business as well as identifying new adjacent areas for growth and new opportunities in the energy sector that we see developing from the transition to a lower-carbon economy, such as our vision for the Geelong Energy Hub. • We are incorporating climate-related issues into our financial planning process – for example, in 2021 we plan to adopt shadow carbon prices to be applied in our investment evaluation and capital allocation process. • We consider physical climate risks when developing significant projects such as the Gas Terminal Project. • We are a member of energy forums, industry groups and peak advocacy bodies and see value in joint industry action on climate change in order to promote sustainable industry development. • We also monitor potential regulatory change and participate in consultation processes either directly or through industry associations to shape policy in the area of climate change, and we maintain a policy dialogue with all levels of government on climate change issues.
Liquidity and financing	
Viva Energy has substantial working capital requirements due to the need to purchase large shipments of crude oil and refined products. We rely on banks and supply and trade financing arrangements to provide working capital funding. Adverse changes in our relationship with providers of funding or in financial markets, which reduce our access to, or increase the cost of, funding, could adversely impact our financial position.	• Our treasury function operates within a fit for purpose Board- approved Treasury Policy. The Policy requires maintenance of sufficient cash reserves and ensures robust reporting of our cash position to management and the Board. • We have access to working capital funding sources through a syndicated financing facility and a range of trade finance facilities. • Our credit risk management function ensures credit is provided within our desired risk parameters. • We actively monitor cash flow through the proactive management of accounts receivable and accounts payable, and we have insurance cover in the event of a major incident to supplement loss of income (cash receipts). • We have insurance cover in place in the event of a major incident to supplement loss of income (cash receipts).

Operating and financial review (continued)

Risk Management (continued)

Strategic Risk	Our Response
Refining margin exposure	
The Geelong Refining Margin (GRM) is based on the difference between the value of the refined products that the Geelong Refinery produces and the cost of the crude oil and feedstock it consumes to do so. Refining margins are affected by a range of factors including a decline in regional demand for refined products, increased refining capacity, international freight costs and exchange rate fluctuations. A low GRM can materially impact earnings of the Geelong Refinery.	• We undertake regular assessment of the economic viability of maintaining refining activities. This includes rigorous economic justification for capital projects and turnarounds as well as the ability to shut down unprofitable individual processing units, logical groups of units or the complete refinery. • We utilise dynamic inventory planning to optimise refining margin performance. • We have programs to improve operational availability and reliability. • We have in place a fit for purpose refinery margin hedging policy. • Refining margin movements as a result of regional market forces are inherent in the refining business and the activities outlined above are not designed to completely eliminate this exposure.
Exchange rate	
Viva Energy purchases crude oil, feedstock and finished products in US dollars and sells its products predominantly in Australian dollars. Fluctuations in the AUD/USD exchange rate may negatively impact our earnings and cash flow.	• We operate a hedging program that is designed to manage the impact of exchange rate fluctuations.
Credit risk	
Credit risk is the risk that a customer or counterparty fails to meet its contractual payment obligations. Such a default could impact our revenue and cash flow.	• We undertake credit risk assessments on customers. • We establish credit limits. • We manage exposure to individual entities.
Material decline in demand for our products	
A number of external factors, including a decline in economic activity, the entry of new competitors into the business segments in which we operate, a change in government policies/regulation and changes in technology, have the potential to negatively impact demand for our products. The current COVID-19 pandemic highlights the risk that further outbreaks could have an impact on demand for our product, particularly if there is a significant and prolonged period of reduced travel and other related changes in consumer mobility behaviour. If there is a significant decline in demand for our products, this could materially impact TSR.	• We operate in a range of business segments and with a range of product offerings. • We seek to understand our performance in a range of future demand scenarios. • We actively monitor industry forecasts and technological developments to understand where the industry and energy markets are heading. • Our strategy is to optimise performance of our core business as well as to identify new adjacent areas for growth and new opportunities in the energy sector.

Operating and financial review (continued)

Risk Management (continued)

Strategic Risk	Our Response
Labour costs and industrial disputes	
Viva Energy's operations are affected by availability and costs of labour and the health of our working relationships with employees and labour unions. A major dispute with one or more unions representing our (or our major contractors') employees could disrupt operations at one or more of our facilities and materially impact TSR. Similarly, a material increase in the cost of labour could impact production costs and profit margin.	• We proactively manage the relationship with our employees. • We have in place employee agreements. • We conduct regular benchmarking to ensure that wages and other benefits offered to employees remain competitive. • In the event that a risk of employee or third party industrial activity is heightened, we develop contingency plans to mitigate potential impacts on our operations.
Cyber Security	
A cyber security breach could cause operational, reputational or financial damage or loss to Viva Energy. The public profile and importance of cyber security has visibly lifted and has prompted a statement by the Prime Minister that Australia was seeing an increase in the intensity of attacks. COVID-19 restrictions have resulted in an increase in the number of people working remotely and connecting to our environment.	• Viva Energy has a range of user access controls that restricts and contains the ability for a user to have wide-ranging access. • We have robust user education and training as the frontline defence mechanism to phishing and malware attacks. • We operate a third party Security Operations Centre which monitors and analyses Viva Energy's security posture. • We utilise extensive technology based controls and undertake independent technology controls testing and validation. • Viva Energy is engaged with agencies/bodies that monitor and provide intelligence to corporates regarding cyber attack insights. These include the Critical Infrastructure Centre, the Australian Security Intelligence Organisation – Business & Government Liaison Unit and the Australian Cyber Security Centre.

Board of Directors

Robert Hill

Independent Non-Executive Director and Chairman

LLB, BA, LLD(Hon), LLM, DPolSc(Hon)

Term of office

Appointed to the Board on 18 June 2018. Formerly an Independent Non-Executive Director of Viva Energy Holding Pty Limited (5 February 2015 to 17 July 2018).

Skills and experience

The Hon. Robert Hill is a former barrister and solicitor who specialised in corporate and taxation law and who now consults in the area of international political risk. He has had extensive experience serving on boards and as chairman of public and private institutions, particularly in the environment and defence sectors.

Robert Hill was previously Australia's Minister for Defence, Minister for the Environment and Leader of the Government in the Senate during his time as a Senator for South Australia. He served as Australia's Ambassador and Permanent Representative to the United Nations in New York. Robert is a former Chancellor of the University of Adelaide. In 2012, he was made a Companion of the Order of Australia for services to government and the parliament.

Robert is currently Chairman of Re Group Pty Limited and a former Chairman of the NSW Biodiversity Conservation Trust.

Board Committee memberships

- Chair of the Remuneration and Nomination Committee
- Member of the Sustainability Committee
- Member of the Investment Committee

Scott Wyatt

Chief Executive Officer and Executive Director

BCA

Term of office

Appointed as CEO on 13 August 2014. Appointed to the Board on 7 June 2018.

Skills and experience

Scott Wyatt has more than 30 years' experience in the oil and gas sector and has held various leadership roles within Viva Energy's downstream oil and gas business (formerly Shell) including strategy, marketing (consumer and commercial) and supply and distribution.

After a long career with Shell in New Zealand, Australia and Singapore, Scott was appointed as CEO in August 2014.

Scott serves as Chairman of the Australian Institute of Petroleum (since January 2020) and is a former Board member of Viva Energy REIT (now Waypoint REIT) (2016 to 2019).

Board Committee memberships

- Member of the Investment Committee

Board of Directors (continued)

Arnoud De Meyer

Independent Non-Executive Director

MSc.E, MSc.BA, PhD Management, Hon Phd

Term of office

Appointed to the Board on 18 June 2018.

Skills and experience

Arnoud De Meyer is a former President of Singapore Management University (SMU) and was previously a Professor in Management Studies at the University of Cambridge and Director of Judge Business School. Arnoud was also associated with INSEAD as a professor for 23 years, and was the founding Dean of INSEAD's Asia Campus in Singapore. Currently he is part-time University Professor at SMU.

Arnoud currently serves on the boards of Banyan Tree Holdings, Singapore Symphonia Company, INSEAD and the Ghent University Global Campus and he is the Chair of Temasek's Stewardship Asia Centre. He was previously an Independent Director of Dassault Systèmes (2005 to 2019) and served as an independent director for the Department for Business Enterprise and Regulatory Reform (UK) and the Singapore Economic Review Committee. Arnoud also served on the boards of Singapore International Chamber of Commerce and Temasek Management Services.

Board Committee memberships

- Chair of the Investment Committee
- Member of the Remuneration and Nomination Committee

Jane McAloon

Independent Non-Executive Director

BEc(Hons), LLB, GDip CorpGov, FAICD

Term of office

Appointed to the Board on 18 June 2018.

Skills and experience

Jane McAloon has over 25 years of business, government and regulatory experience at senior executive and board levels across the energy, infrastructure and natural resources sectors.

Jane was an executive at BHP Billiton and AGL. Prior to this, she held positions in government in energy, rail and natural resources.

Jane is currently a Non-Executive Director of Energy Australia (since 2012), Home Consortium (since 2019), United Malt (since 2020) and Allianz Australia (since 2020). She is a former Board member of Healthscope Limited (2016 to 2019), Cogstate Limited (2017 to 2019), Civil Aviation Safety Authority (2018 to 2019), Port of Melbourne (2018 to 2020) and GrainCorp (2019 to 2020). Jane is also a Board member of the Allens Advisory Board.

Board Committee memberships

- Chair of the Sustainability Committee
- Member of the Audit and Risk Committee
- Member of the Investment Committee

Board of Directors (continued)

Sarah Ryan

Independent Non-Executive Director

PhD (Petroleum Geology and Geophysics), BSc (Geophysics) (Hons 1), BSc (Geology), FTSE

Term of office

Appointed to the Board on 18 June 2018.

Skills and experience

Sarah Ryan has over 30 years of international experience in the energy industry, ranging from technical, operational and leadership roles at a number of oil and gas and oilfield services companies, to a decade of experience as an equity analyst covering natural resources.

Sarah is a Fellow of the Australian Academy of Technological Sciences and Engineering (ATSE), a Fellow of the Australian Institute of Energy, a Member of the Australian Institute of Company Directors, a Member of Women Corporate Directors and a Member of Chief Executive Women. She serves as a non-executive director of the Future Battery Industries Cooperative Research Centre, and is Deputy Chair of the ATSE Energy Forum.

Sarah is currently a Non-Executive Director of Woodside Petroleum Limited (since 2012), Aurizon Holdings Limited (since 2019), Akastor ASA, a company listed on the Oslo Stock Exchange (since 2014), and MPC Kinetic Pty Ltd (since 2016). She is a former director of Central Petroleum Limited (2017 to 2018) and Aker Solutions ASA (2010 to 2014). Sarah is also a member of the ASIC Corporate Governance Consultative Panel.

Board Committee memberships

- Chair of the Audit and Risk Committee
- Member of the Sustainability Committee
- Member of the Investment Committee

Dat Duong

Non-Executive Director

BBA, CFA

Term of office

Appointed to the Board on 7 June 2018. Formerly a Non-Executive Director of Viva Energy Holding Pty Limited (1 January 2017 to 17 July 2018).

Skills and experience

Dat Duong is the Head of Investments for Vitol in Asia Pacific.

Dat joined Vitol in 2010, prior to which he was an Associate Partner at Leopard Capital, an investment fund focused on Asia's frontier and emerging markets.

Dat has extensive international investment banking experience, including with Merrill Lynch in the Global Energy and Power Investment Banking Group in both Hong Kong and Canada, where he led multiple landmark downstream oil transactions.

Dat commenced his career at Esso Imperial Oil in Canada as a business analyst.

Board Committee memberships

- Member of the Audit and Risk Committee
- Member of the Remuneration and Nomination Committee
- Member of the Investment Committee

Board of Directors (continued)

Michael Muller

Non-Executive Director

BA (Econ.Geography)

Term of office

Appointed to the Board on 1 October 2020.

Skills and experience

Mike Muller joined Vitol in London in 2018 and moved to Singapore in 2019 where he took on the role of Head of Vitol Asia Pte Ltd on 1 October 2020.

Prior to Vitol, Mr Muller was an executive with Shell in the UK, Australia and Singapore. A member of Shell's Global Trading Leadership since 1999, he coordinated global supply of chemical feedstocks and led various oil trading desks both physical and derivatives. In 2013, Mr Muller was appointed Vice President, Global Crude Oil Trading and Supply. In this role, he was a Director of Shell Trading International Ltd, Chairman of Shell Western Supply & Trading Ltd and of Shell Trading Russia BV, and a member of global Trading Risk, Credit and Compliance committees.

Mike is currently a Director of Boustead Petroleum Marketing Sdn. Bhd. (formerly BP Malaysia) and a Director of Arq Limited (UK).

Board Committee memberships

- Member of the Sustainability Committee
- Member of the Investment Committee

Hui Meng Kho

Former Non-Executive Director

BSc (Chemical Engineering)(Hon)

Term of office

Appointed 18 June 2018, resigned with effect on 1 October 2020.

Hui Meng Kho served as a non-executive director on the Board and a member of the Remuneration and Nomination Committee and the Investment Committee until his resignation, effective on 1 October 2020. Hui Meng was the President and CEO of Vitol Asia Pte Ltd and a member of the Vitol Group Board of Directors. Hui Meng joined Vitol in 1987 and had been the head of Vitol Asia since 1999. Prior to joining Vitol, Hui Meng was with Esso Singapore, involved in logistics, planning, trading and refinery operations.

Leadership team

Scott Wyatt – Chief Executive Officer

Jevan Bouzo – Chief Financial Officer

Thys Heyns – Chief Operating Officer

Dale Cooper – Executive General Manager, Refining

Amanda Fleming – Chief People and Technology Officer

Megan Foster – Executive General Manager, Consumer

Lachlan Pfeiffer – Executive General Manager, Legal and External Affairs

Denis Urtizberea – Executive General Manager, Commercial

There were changes in our Leadership Team during the year. Dale Cooper joined the team as Executive General Manager, Refining and brings over 30 years' experience in the refining sector. Dale succeeded Thys Heyns, who took on the role of Chief Operating Officer in June 2020.

Viva Energy announces the following executive leadership changes that will take effect from the end of March 2021.

After a long and successful career, Thys Heyns has made the decision to retire from the Company. Thys joined Viva Energy shortly after the business was acquired from Shell, initially leading the refining business and more recently in the

Leadership team (continued)

role of Chief Operating Officer. The Board extend their appreciation to Thys for his significant contribution to the business over the past six years and wish him well in his next endeavours.

Jevan Bouzo will be appointed to an expanded role of Chief Operating and Financial Officer, assuming responsibility for supply chain operations in addition to his existing accountabilities. Bringing together finance and operations will help drive stronger financial and commercial focus across our Supply, Corporate and Overheads segments.

Lachlan Pfeiffer will be appointed to an expanded role of Chief Sustainability and Business Development Officer. In this role he will continue to be responsible for assurance functions which support good governance but will also lead the broader business development opportunities, and the communication of our sustainability strategy and associated initiatives.

Remuneration report

Letter from the Remuneration and Nomination Committee Chair – Robert Hill

Dear Shareholders,

On behalf of the Board, I am pleased to present Viva Energy's 2020 Remuneration Report.

Our performance

The response to the COVID-19 pandemic has naturally had a significant impact on our business and our customers. As always, our priority has been the health and safety of our people and ensuring that we continue to operate safely and reliably to serve our customers and the broader community. The Board is proud of the way our people responded to the crisis and the sound results delivered under the circumstances, including:

- The Company's Non-Refining Underlying EBITDA (RC) increased by approximately 16.5% over the prior year. Although fuel sales were impacted by the 'stay at home' order and border restrictions that were in place around the country, robust diesel sales through both retail and commercial channels, improved retail fuel margins and strong cost and capital management offset the direct impact from declining sales demonstrating the resilience of our sales and marketing businesses. A contributing factor to this strong result was the renegotiation of the Alliance agreement in 2019, which gave the Company control over retail fuel pricing allowing the Company to better manage the sales / margin mix and more successfully navigate the challenges presented by the pandemic, as well as to continue to drive sales growth in the year ahead. Retail sales volumes are progressively recovering towards pre COVID-19 levels, and while Aviation sales volumes remain impacted by border closures there are some early signs of recovery following an increase in domestic air travel.

- Management delivered on some important strategic initiatives, including divesting the Company's stake in Viva Energy REIT (now Waypoint REIT), and returning $580 million of the proceeds of the divestment to our shareholders, with a commitment to return the remaining $100 million. Strong progress was also made on the development of the Geelong Energy Hub, and the Company has entered into an MOU with two high quality consortium partners for the development of a Gas Terminal at Geelong. The Company also carried out a strategic review of the refining business and made progress to build stronger foundation for continued refining operations.

- The Refining business was impacted by lower refining margins due to the decline in both domestic and global oil demand, recording a Refining Underlying EBITDA (RC) loss of $95.1 million for the year. The Company made the decision to bring down some processing units in April 2020 to reduce production and bring forward the planned major maintenance work which has now been completed. The refinery has since returned to full production which has led to an improvement in refining margins. While the refining outlook remains challenging, the Fuel Security Package announced by the Federal Government in September 2020 and the commencement of the interim Refinery Production Payment from 1 January 2021 demonstrate an ongoing commitment to strengthening Australia's refining industry.

- The Company reported a Group Underlying EBITDA (RC) result of $519.4 million, finishing 2020 in a strong position with a relatively low level of net debt at $104.2 million, emerging sales recovery in parts of our business that were most affected by the pandemic, and with the prospects of a stronger foundation in our Refining segment.

The Board is very pleased with the way that management led the business through one of the most challenging periods in its history and looks forward to the year ahead.

2020 Remuneration

Fixed remuneration

No adjustments were made to the remuneration of Executive KMP or the Non-Executive Director fees in 2020, with the exception of the CFO who, as disclosed in the 2019 Remuneration Report, received an increase to his fixed remuneration from $600,000 to $650,000 effective 1 March 2020.

2020 Short Term Incentive (STI)

The Executive KMP earned 26.25% of their maximum STI opportunity in 2020. This result was determined as follows:

- despite achieving the 'at target' level of Group Normalised Underlying EBITDA (RC) and a 'stretch' level of Underlying Supply Chain EBITDA (RC), the Board exercised discretion to reduce the financial component of the STI scorecard (which comprises 60% of the scorecard for the Executive KMP) to zero. A number of factors contributed to this decision, including the fall in regional refining margins which led to the Company receiving Job-Keeper payments and recording substantial losses in our Refining business, which in turn impacted dividends paid to shareholders in 2020;

- the Executive KMP achieved stretch outcomes against the STI scorecard strategic measures and between threshold and target outcomes in relation to the safety, environment and people performance measures. This reflects the momentum maintained by management on the important strategic initiatives outlined above, as well as the fact that management improved safety performance, maintained strong employee engagement through a challenging period, and successfully protected employees and operations from the potential threat of COVID-19 infection in our workplace.

The Board considers the adjusted outcome to be a fair outcome which reflects the experience of our shareholders and the broader societal expectations during this global pandemic, while also appropriately rewarding the management team for delivering a strong underlying result in the circumstances and making significant progress on major initiatives in 2020.

2018-2020 Long Term Incentive (LTI)

The 2018-2020 LTI, which comprises performance conditions relative Total Shareholder Return (rTSR) (50%), Return on Capital Employed (ROCE) (25%) and cumulative Free Cash Flow (FCF) (25%), reached the end of its three year performance period on 31 December 2020.

While the TSR and ROCE conditions were not met, the Company’s FCF performance over the three year period was above stretch, reflecting the Company’s strong focus on cash and capital management programs.

The final 2018-2020 LTI outcome approved by the Board was 25% of maximum opportunity.

Looking ahead – 2021 remuneration

Executive KMP Remuneration

The Board completed a review of the fixed and variable remuneration arrangements for our Executive KMP in early 2021.

As has been flagged previously, our CEO’s remuneration package was set materially below market median rates at the time of our IPO. This was done recognising the strong retention focus and significant value tied to the legacy LTI structure put in place under the previous ownership. The legacy LTI arrangements have now expired for the CEO. In the interests of ensuring we retain and motivate our CEO appropriately, the Board has committed to address this issue and will make an adjustment to the CEO’s remuneration in 2021 which will go some way to addressing the matter.

In addition, as our Chief Operating Officer is retiring from the Company this year our Chief Financial Officer will take on an expanded role and responsibilities. As a result, the Board will also increase his remuneration during 2021 to reflect this greater responsibility.

The Board has also approved some modifications to our long term incentive plan going forward to better align performance measures with our expectations of corporate performance going forward.

While these changes do not form part of the remuneration arrangements for 2020, in the interests of transparency, the Board has provided information in section 10 for shareholders to consider.

I hope you find this Remuneration Report informative and, as always, we welcome your feedback.

Yours faithfully,

Robert Hill

Remuneration Report – contents

1. 2020 at a glance

This section provides a high-level summary of the remuneration outcomes for 2020 for the Executive Key Management Personnel (**KMP**). Further detail is provided in the remaining sections of this report.

Highlights

- Swift and effective health response to the COVID-19 crisis, with the business operating safely and reliably throughout the year without disruption to customers.
- Non-Refining EBITDA (RC) of $614.5 million, up 16.5% on last year driven by very strong Retail performance, robust Diesel sales, strong Specialities performance and disciplined cost and capital management.
- Underlying Group EBITDA (RC) of $519.4 million, down 19.4% on last year on a non-normalised basis, reflecting the substantial impacts experienced in the Refining segment which recorded losses of $95.1 million. On a normalised basis, Underlying Group EBITDA (RC) was $734 million[1] (excluding JobKeeper payments).
- Successful completion of the major maintenance event at the Refinery at a reduced capital spend.
- Reduced capital expenditure from the original forecast range of $250-300 million to $158.5 million.
- Material progress on the Gas Terminal Project at Geelong, with the signing of an MOU with two high quality consortium partners in relation to the development of the project and the related capacity of the terminal. The project has now progressed through to the Front End Engineering Design stage.
- Successful divestment of the Viva Energy REIT (now Waypoint REIT) stake and return of $580 million of the proceeds to shareholders, with a commitment to return the remaining $100 million.
- The Executive KMP earned 26.25% of their maximum STI opportunity in 2020. Despite achieving the 'at target' level of Group Normalised Underlying EBITDA (RC) and a 'stretch' level of Underlying Supply Chain EBITDA (RC), the Board exercised discretion to reduce the financial component of the STI scorecard (which comprises 60% of the scorecard for the Executive KMP) to zero. A number of factors contributed to this decision, including the fall in regional refining margins which led to the Company receiving Job-Keeper payments and recording substantial losses in our Refining business, which in turn impacted dividends paid to shareholders in 2020.
- While the TSR and ROCE conditions were not met, the Company's FCF performance over the three year performance period was above stretch, reflecting the Company's strong focus on cash and capital management programs. The final 2018-2020 LTI outcome approved by the Board was 25% of maximum opportunity.

1. To calculate the Group Normalised Underlying EBITDA (RC), actual performance is restated applying available margin and exchange rate assumptions used to set the targets at the beginning of the performance period.

1.1. Remuneration outcomes and COVID-19 related adjustments

Remuneration decisions were made this year in the context of the global COVID-19 pandemic. The Board, with the assistance of the Remuneration and Nomination Committee, carried out a thorough review process examining the appropriateness of remuneration outcomes in light of the impact of the pandemic on the business and stakeholders at large. This process included:

- Agreeing the factors that should be taken into account in remuneration decisions and considering a number of scenarios based around these factors;
- Examining guidance on remuneration matters released by external stakeholders and the corporate regulator; and
- Discussing and agreeing the principles that would guide remuneration decisions in the pandemic year. This included balancing pay for performance, rewarding the significant effort of the executive team in successfully navigating the business through the COVID-19 crisis, attracting and retaining key executives and appropriately reflecting the experience of our shareholders and other stakeholders during the year.

The final outcomes approved by the Board are shown below.

2020 STI outcome

Executive KMP	Adjusted STI outcome (% of maximum opportunity)	Total STI award	STI award provided in Cash	STI award provided in Share Rights[1]
Scott Wyatt	26.25%	$315,000	$157,500	$157,500
Jevan Bouzo	26.25%	$170,625	$85,312	$85,312
Thys Heyns[2]	26.25%	$157,500	$157,500	-

1. Share Rights are planned to be granted in March 2021 and will vest into shares in two equal tranches, on 1 January 2022 and 1 January 2023, subject to conditions as set out in section 5.2. The number of Share Rights granted to each Executive KMP is determined by dividing the dollar value of the STI award to be provided in Share Rights by $1.6959, being the weighted average share price of the Company's shares over the performance period 1 January 2020 to 31 December 2020.
2. Due to Thys Heyns' retirement from the Company, with anticipated effect at the end of March 2021, his STI will be paid 100% in cash (no deferral component).

2018-2020 LTI outcome

Executive KMP	Number of 2018 PR granted	% of 2018 PR vested	Number of 2018 PR vested	Value of 2018* PR vested	Number of 2018 PR lapsed	% of 2018 PR lapsed
Scott Wyatt	480,000	25%	120,000	$198,000	360,000	75%
Jevan Bouzo	192,000	25%	48,000	$79,680	144,000	75%
Thys Heyns	240,000	25%	60,000	$99,600	180,000	75%
Former Executive KMP						
Daniel Ridgway**	240,000		-	-	240,000	100%

** Calculated based on share price of $1.66, being the closing share price on the date of vesting on 23 February 2021.*

*** Unvested 2018 PR held by Daniel Ridgway lapsed upon his resignation on 29 May 2020.*

2. Overview

2.1. Introduction

This report has been prepared in accordance with the Corporations Act 2001 and the Corporations Regulations 2001. The content in this report has been audited by PricewaterhouseCoopers, the Company's external auditor.

The Company is required to prepare a remuneration report in respect of KMP, being those people that have responsibility and authority for planning, directing and controlling the activities of Viva Energy, either directly or indirectly. In 2020, the KMP were the Non-Executive Directors and designated executives.

The Company was incorporated on 7 June 2018 and it listed on the ASX on 13 July 2018. This report describes the Company's remuneration arrangements for 2020. To provide shareholders with a complete overview of those remuneration arrangements, information on the Legacy LTI arrangements that were put in place prior to the Company's listing and that impacted Executive KMP remuneration during 2020 are also disclosed.

2.2. Details of KMP

The following individuals were KMP of the Company in 2020.

Name	Title	Term as KMP
Non-Executive Directors		
Robert Hill	Chairman and Independent Non-Executive Director	18 June 2018 – current
Arnoud De Meyer	Independent Non-Executive Director	18 June 2018 – current
Dat Duong	Non-Executive Director	7 June 2018 – current
Jane McAloon	Independent Non-Executive Director	18 June 2018 – current
Michael Muller	Non-Executive Director	1 October 2020 – current
Sarah Ryan	Independent Non-Executive Director	18 June 2018 – current
Former Non-Executive Directors		
Hui Meng Kho	Non-Executive Director	18 June 2018 – 30 September 2020
Executive KMP		
Scott Wyatt	Chief Executive Officer and Managing Director	7 June 2018 – current
Jevan Bouzo	Chief Financial Officer	7 June 2018 – current
Thys Heyns	Chief Operating Officer	1 June 2020 – current
Former Executive KMP		
Daniel Ridgway	Chief Operating Officer	1 January 2019 – 29 May 2020

3. Executive remuneration – overview

3.1. Executive remuneration objectives

The overall objectives of executive remuneration at Viva Energy are to:

- drive sustainable value creation for our shareholders;

- drive appropriate behaviours and culture;
- attract and retain high-calibre talent; and
- ensure remuneration is well understood and transparent.

To achieve these objectives, the Board seeks to set executive remuneration at levels that are competitive in the market (for ASX- listed companies comparable in terms of size, complexity and industry to the Company), and also to appropriately reward the leadership team for achieving long-term sustainable growth. The Board reviews the executive remuneration objectives and levels on an annual basis.

3.2. 2020 Executive Remuneration Framework – overview

The 2020 executive remuneration framework is summarised below.

2020 Executive remuneration framework				
Component	**Delivery vehicle**		**Performance measures**	**Link to strategy**
Fixed Annual Remuneration (FAR)	Base salary and superannuation		FAR that is appropriate in order to enable Viva Energy to motivate, engage and retain the calibre of executives that can execute the Company's strategy and continue to deliver value to shareholders. As at the date of this report, the final tranche of the legacy LTI awards has now vested for all executive KMP with the exception of the CFO. As foreshadowed in prior Remuneration Reports, as the legacy arrangements expire, the Board intends to set FAR at a market competitive level with regard to the size, complexity and accountabilities associated with a particular role and the level of skills and experience required to perform the role	
Short Term Incentive (STI) – reward for performance against annual objectives	50% paid in cash	50% deferred into Share Rights	Reward is based on performance against a balanced scorecard of performance measures focused on financial (60%), individual personal objectives aligned with the Company's strategic goals (30%) and safety, environment and people outcomes (10%).	Rewards execution on annual performance objectives. A balanced scorecard of measures ensures targets are achieved in a sustainable manner with a strong emphasis on the delivery of financial outcomes. STI deferral creates further alignment with shareholders and acts as a retention instrument.
Long Term Incentive (LTI) – rewards long- term performance and value creation for shareholders	Performance Rights are allocated at face value at the beginning of the three-year performance period. Subject to performance conditions being met, some or all of the Performance Rights may vest into shares.		Vesting of the Performance Rights is conditional on achieving against a scorecard of performance conditions over a three-year performance period, focused on relative Total Shareholder Return (50%), Free Cash Flow (25%) and Return on Capital Employed (25%).	Drives the delivery of Viva Energy's long-term objectives in a sustainable manner, provides alignment with the interests of shareholders, and encourages long-term value creation.

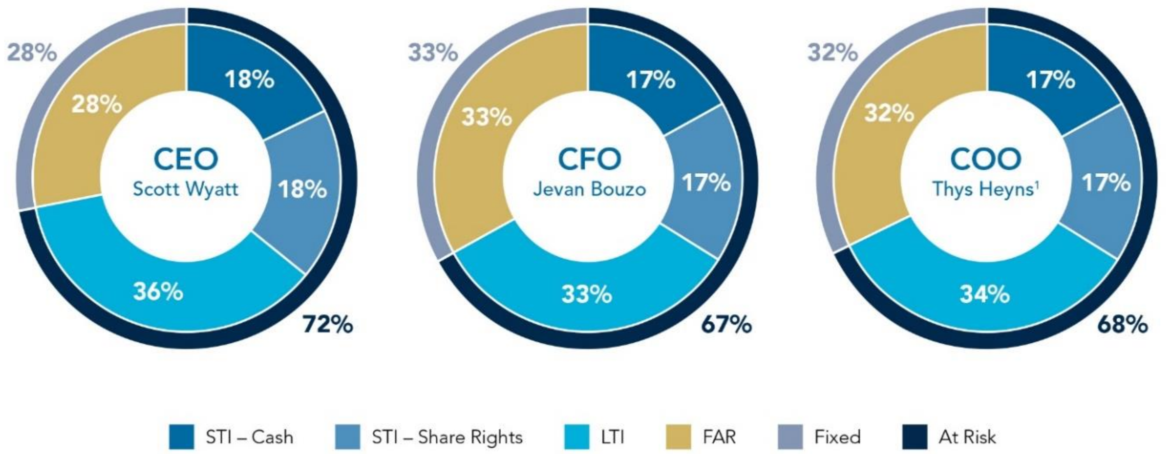
Prior to the Company's listing on the ASX in 2018, the previous owners put in place an incentive plan referred to in this report as the Legacy LTI. The program previously acted to motivate executives to transform and grow the value of the business through to a potential exit event (such as listing on the ASX). The last of the Legacy LTI tranches of options vested for the CEO and COO in January 2020 and they no longer hold any Legacy LTI options. As at the date of this report, the CFO is the only Executive KMP with outstanding Legacy LTI options (see section 4.5 for more information). The program continues to provide retention value for the CFO as any unvested options will be forfeited on resignation. No further grants will be made under the Legacy LTI.

3.3. Minimum Shareholding Policy

The Board has adopted a minimum shareholding policy which requires each member of the KMP (other than Non-Independent, Non-Executive Directors) to accumulate a minimum shareholding equivalent to 100% of their Fixed Annual Remuneration within five years of the date on which they became KMP, and to maintain such minimum shareholding for so long as they remain KMP. Our KMP either already meet or are on track to meet this requirement.

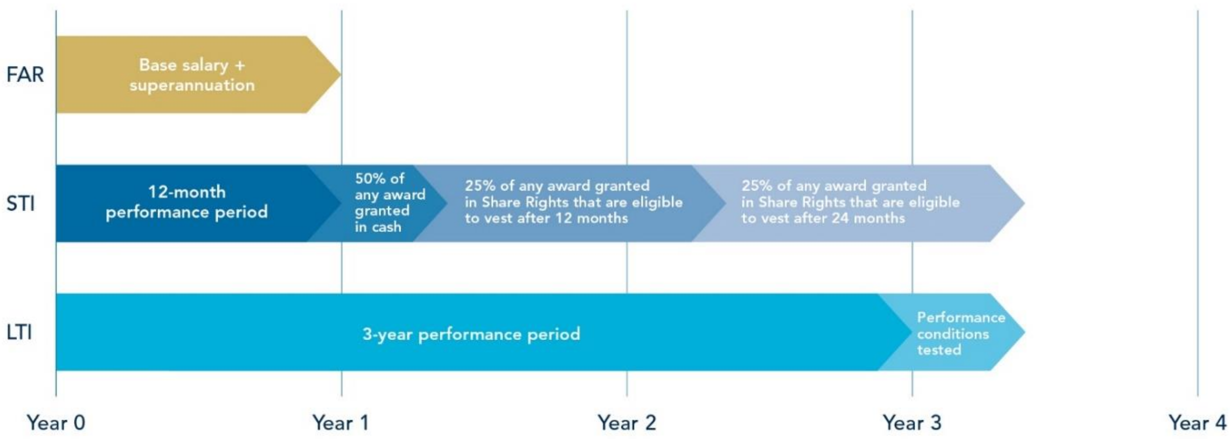
3.4. 2020 Executive remuneration mix

The weighting of each remuneration component of an executive's total remuneration opportunity in 2020 was aligned to the objectives of the executive remuneration framework outlined in section 3.1, in particular driving sustainable value for the Company. The following diagrams set out the weighting of each remuneration component for the CEO, CFO and COO based on their maximum potential STI and LTI opportunity and does not represent actual remuneration received for 2020.



1. Daniel Ridgway held the position of COO until his resignation on 29 May 2020. Under the terms of his resignation Mr Ridgway was not eligible to participate in the 2020 STI and LTI.

3.5. Executive Remuneration delivery timeline – 2020 awards



4. 2020 Executive Remuneration framework – in more detail

The components of the 2020 executive remuneration framework are explained in detail below.

4.1. Fixed Annual Remuneration (FAR)

FAR is comprised of base salary and superannuation.

4.2. 2020 Short Term Incentive (STI)

Viva Energy established an STI Plan to reward Executive KMP and other members of the executive team for strong performance levels and contributions to the Company over a 12-month performance period.

STI performance is assessed against a balanced scorecard comprised of a robust set of performance measures, which drive the Company's short-term financial, strategic and operational objectives and set the platform for long-term success. The Board retains overall discretion to adjust outcomes as appropriate.

Further information about the 2020 STI Plan is set out below. Please refer to section 5.2.1 for STI Performance outcomes for 2020.

Opportunity	CEO (Scott Wyatt) • Target: 67% of FAR • Maximum: 134% of FAR	CFO (Jevan Bouzo) • Target: 50% of FAR • Maximum: 100% of FAR	COO (Thys Heyns)[1] • Target: 54% of FAR • Maximum: 107% of FAR

Performance period

Performance was assessed over a 12-month performance period from 1 January 2020 to 31 December 2020

Performance measures

Achievement of individual targets was used to determine the proportion of potential STI granted. For 2020, the following performance measures and weightings applied.

Category	Measure	Weighting CEO	Weighting CFO	Weighting COO
Financial	• Underlying Group EBITDA (RC) – *normalised*	60%	60%	30%
	• Underlying EBITDA (RC) – Supply Chain	-	-	30%
Strategic priorities	• A mix of individual and group objectives	30%	30%	30%
Safety, environment & people	• TRIF (Total Recordable Injuries/ Frequency Rate)[2] • API Tier 1 and 2 incidents[2] • LOPCs > 100kg[3] • Employee engagement • Women in management and leadership	10%	10%	10%
Total		100%	100%	100%

2020 target and maximum opportunity

The maximum stretch opportunity for each performance measure was set at 200% of target. For each performance measure, a threshold level of performance was also set. This level had to be met to receive any STI.

Governance and approval process

The CEO's STI outcome was recommended by the RNC based on his performance, and any other relevant considerations, and was approved by the Board.

The STI outcome for the other Executive KMP was recommended by the CEO to the RNC based on each executive's performance and any other relevant considerations, and was approved by the Board.

The Board had the ability to apply discretion in determining the STI outcomes to ensure they were appropriate. For information on how discretion was applied to the 2020 STI outcomes, see section 5.2.2.

Delivery

STI award is provided as a mix of cash and deferred equity as follows:

- 50% in cash; and
- 50% in Share Rights, with 50% of those Share Rights eligible to vest on 1 January 2022 and the other 50% eligible to vest on 1 January 2023. A Share Right entitles the participant to receive one ordinary share for nil consideration if the Share Right vests.

Voting and dividends entitlements	Unvested Share Rights do not carry dividend or voting rights. For each Share Right that vests, the participant will receive a cash payment equivalent to the dividends paid by the Company on a share during the period between 1 January 2021 and the relevant vesting date.
Restrictions on dealing	Holders of Share Rights must not sell, transfer, encumber or otherwise deal with Share Rights unless the Board allows it or the dealing is required by law. Additionally, in no circumstances will a holder of Share Rights be able to hedge or otherwise affect their economic exposure to the Share Rights before they vest. Holders of Share Rights will be free to deal with the ordinary shares allocated on exercise of Share Rights, subject to the requirements of Viva Energy's Securities Trading Policy.
Cessation of employment	If a participant ceases to be employed and is considered to be a Good Leaver, any unvested Share Rights that have been granted as part of the 2020 STI will remain on foot, unless the Board determines otherwise in its absolute discretion. If the participant ceases to be employed and is not a Good Leaver, any unvested Share Rights granted as part of the 2020 STI will lapse. Generally, a participant will be a Good Leaver unless their employment is terminated for cause or the participant resigns.
Change of control	The Board may determine in its absolute discretion that all or a specified number of a participant's Share Rights will vest on a change of control.

1. Daniel Ridgway held the position of COO until his resignation on 29 May 2020. Under the terms of his resignation Mr Ridgway was not eligible to participate in the 2020 STI.
2. TRIF and API Tier 1 and 2 measures are industry standard safety performance metrics that reflect personal safety and process safety performance (respectively).
3. Loss of Primary Containment. This measures the incidents resulting in the uncontrolled or unplanned release of material from a process or storage that serves as primary containment.

4.3. 2020-2022 Long Term Incentive (LTI)

Viva Energy has established an LTI Plan to assist in the attraction, motivation, retention and reward of the Executive KMP and other members of the executive leadership team.

The LTI Plan is designed to reward long-term performance, provide alignment with the interests of shareholders, and encourage long-term value creation.

We use a combination of performance conditions, which reflect our long-term financial, strategic and operational objectives and focus on sustainable, long term performance.

Further information on the 2020-2022 LTI plan is set out below.

Opportunity	CEO (Scott Wyatt) • Maximum: 134% of FAR	CFO (Jevan Bouzo) • Maximum: 100% of FAR	COO (Thys Heyns)[1] • Maximum: 107% of FAR
Instrument	Performance Rights. A Performance Right entitles the participant to acquire one ordinary share for nil consideration at the end of the performance period, subject to satisfaction of the performance conditions. The Board retains discretion to make a cash payment to participants on vesting of Performance Rights in lieu of an allocation of shares.		
Grant value	Performance Rights were granted using face value methodology.		

Performance conditions	Condition	Weighting	Measure	Objective
	Relative Total Shareholder Return (rTSR)	50%	Total Shareholder Return over the period, relative to the ASX100 (Comparator Group).	To create strong alignment between LTI outcomes and the experience of shareholders.
	Cumulative Free Cash Flow (RC) (FCF) over the performance period	25%	Cumulative FCF is calculated based on Underlying EBITDA (RC), normalised for market movements in AUD refining margins and adding / subtracting (as appropriate) maintenance capital expenditure, realised FX and derivative movements, dividends received from associated entities, interest and taxes paid.	This measure rewards strong cost and capital management with positive conversion of underlying earnings to cash flow to maximise cash that the Company has available to fund growth opportunities, pay dividends and repay debts.
	Average Return on Capital Employed (RC) (ROCE) for each year of the performance period	25%	Underlying EBIT (RC) divided by average capital employed (total shareholder's equity plus net debt) for each year.	This measure rewards executives for prudent management of capital to maintain positive returns on capital employed over the performance period.

Replacement cost (RC) methodology is used in calculating both the FCF and ROCE outcomes, in order to provide a truer reflection of underlying performance. This approach removes the impact of net inventory gain/(loss) caused by fluctuations in crude oil prices and foreign currency exchange rates.

The Board considers that the use of RC methodology in setting FCF and ROCE targets within the LTI is appropriate, and provides a suitable balance with the relative TSR measure.

Performance period and exercise

Performance will be assessed over a 36-month period from 1 January 2020 to 31 December 2022. Vested Performance Rights may be exercised during exercise periods aligned to the share trading windows outlined in the Company's share trading policy for up to 3 years after vesting.

There will be no re-testing of any of the performance conditions, and Performance Rights that do not vest after the performance conditions are tested will lapse (and expire).

Components

rTSR component

The percentage of Performance Rights comprising the relative TSR component that vest, if any, will be based on the Company's TSR ranking relative to the Comparator Group over the performance period, as set out in the following vesting schedule.

TSR ranking relative to the Comparator Group	% of Performance Rights that vest
Less than 50th percentile	Nil
At 50th percentile	50%
Between 50th and 75th percentile	Straight-line pro rata vesting between 50% and 100%
At 75th percentile or above	100%

FCF component

The percentage of Performance Rights comprising the FCF component that vest, if any, will be determined over the performance period by reference to the following vesting schedule:

	Cumulative FCF over the performance period	% of Performance Rights that vest
	Less than target FCF performance	Nil
	Equal to target FCF performance	50%
	Between target and stretch FCF performance	Straight-line pro rata vesting between 50% and 100%
	At or above stretch FCF performance	100%

ROCE component

The percentage of Performance Rights comprising the ROCE component that vest, if any, will be determined over the performance period by reference to the following vesting schedule:

Average ROCE over each year of the performance period	% of Performance Rights that vest
Less than target ROCE performance	Nil
Equal to target ROCE performance	50%
Between target and stretch ROCE performance	Straight-line pro rata vesting between 50% and 100%
At or above stretch FCF performance	100%

Disclosure of FCF and ROCE targets	The Board considers that the FCF and ROCE targets are commercially sensitive as disclosure of those targets can potentially indicate the Group's margins and, as such, jeopardise Viva Energy's competitive position. Therefore, those targets will not be disclosed during the performance period. However, the Board will provide full details of the vesting outcomes in connection with each component of the LTI, including the levels at which the targets were set at the beginning of the performance period, following completion of the performance period. The targets and the vesting outcomes will be detailed in the Remuneration report for the year in which the LTI will be tested. Information on the 2018-2020 LTI targets is set out in section 5.3.
Other features	Performance Rights have the same voting and dividend entitlements, restrictions on dealing, treatment on cessation of employment, and change of control provisions as the Share Rights described in section 4.2 above. For completeness, it is noted that there is no dividend equivalent payment that applies to Performance Rights.

1. Daniel Ridgway held the position of COO until his resignation on 29 May 2020. Under the terms of his resignation Mr Ridgway was not eligible to participate in the 2020 LTI.

4.4. Claw back and preventing inappropriate benefits

Under the rules governing the STI and LTI Plans, the Board has power to 'claw back' incentives that it may exercise if, among other things:

- a participant has acted fraudulently or dishonestly, is in material breach of their obligations to the Viva Energy Group, has engaged in negligence or gross misconduct, brought a member of the Viva Energy Group into disrepute, been convicted of an offence, or has a judgment entered against them in connection with the affairs of the Viva Energy Group;
- Viva Energy is required by or entitled under law or under the principal's employment contract to reclaim remuneration from the participant;
- a participant has made a material misstatement on behalf of a member of the Viva Energy Group or there is a material misstatement or omission in the financial statements of the Viva Energy Group; or
- a participant's entitlements vest or may vest as a result of the fraud, dishonesty, negligence or breach of obligations of any other person and the Board is of the opinion that the entitlement would not have otherwise vested.

The claw back regime applies to cash STI, Share Rights granted under the STI Plan and Performance Rights granted under the LTI Plan.

4.5. Legacy LTI

Section 10.4.3 of the Prospectus described the Legacy LTI arrangements introduced by Viva Energy Holding Pty Limited (**VEH**) in 2015, which involved an issue of options. The Legacy LTI was introduced in order to assist in the motivation and retention of key executives, and to provide alignment with the interests of the previous shareholders. This was a key component of VEH's remuneration framework. All offers under the Legacy LTI were made in the years prior to the Company's listing on ASX and no further offers will be made under this plan.

Jevan Bouzo, CFO, is the only member of the Executive KMP that has outstanding options issued under the Legacy LTI arrangements as at the date of this report. The last tranche of the Legacy LTI options held by the CEO and COO vested and were exercised on 2 January 2020. The remaining Legacy LTI options held by the CFO will expire at 5.00pm on 1 January 2022 unless exercised earlier.

Number held as at 31 December 2020	1,538,095 options held by the CFO
Grant date	25 October 2017
Exercise price	A$1.21 per option
Vesting schedule and expiry	• 1,153,571 options have vested and remain unexercised as at the date of this report • 384,524 options are scheduled to vest on 1 January 2022, subject to continued employment with Viva Energy and the terms of the Legacy LTI.
Voting and dividend entitlements	Legacy LTI options do not carry dividend or voting right entitlements.
Restrictions on dealing	Legacy LTI option holders must not sell, transfer, encumber or otherwise deal with their options unless the Board allows it or the dealing is required by law. Additionally, in no circumstances will Legacy LTI holders be able to hedge or otherwise affect their economic exposure to the options before they vest. Legacy LTI option holders will be free to deal with the ordinary shares allocated on exercise of their options, subject to the requirements of Viva Energy's Securities Trading Policy.
Cessation of employment	If a Legacy LTI option holder ceases employment due to special circumstances (including death, terminal illness or disablement), a pro-rata portion of their unvested Legacy LTI options (based on the proportion of the performance period that has elapsed) will remain on foot and subject to the original performance conditions, and the remainder will lapse unless the Board exercises a discretion to treat them otherwise. In all other circumstances (including due to a participant's resignation or termination), unless the Board exercises its discretion to treat them otherwise and subject to applicable law, unvested Legacy LTI options will automatically lapse.
Change of control and claw back	Legacy LTI options have the same change of control provisions as the Share Rights described in section 4.2, and the same claw back provisions as described in section 4.4.

4.6. Executive service agreements

The CEO, CFO and COO have open-ended employment contracts. The key terms of the contracts are as follows:

- Employment may be terminated by either the Company or the executive upon providing 12 months' written notice.
- Viva Energy may elect to pay the executive in lieu of all or part of such notice period with any such payment to be based on the executive's FAR over the relevant period. The executive may also be required to serve out the whole or part of the notice period on an active or passive basis at the Board's discretion.
- Any payments made to the executive upon termination of employment will be limited to the maximum amount permitted by the Corporations Act.
- The executive's employment may be terminated by Viva Energy without notice in certain circumstances such as un-remediated material breach of their contract, serious misconduct (including dishonesty, fraud or wilful breach of duty), bankruptcy, failure to comply with a reasonable direction from the Board, and if a personal profit is made at the expense of the Viva Energy Group to which they are not entitled.

4.7. Loans and other transactions with KMP

4.7.1. Loans to key management personnel

There were no loans made to the KMPs of the Company, including their personally-related entities, during the year.

4.7.2 Other transactions with key management personnel

There were no other transactions (as contemplated by the Corporations Regulations 2001) with the KMPs during the year.

5. Group Performance and 2020 Remuneration Outcomes

5.1. Company performance and remuneration outcomes – 2020 and historical

COVID-19 presented significant challenge and disruptions to the business in 2020. First and foremost, it was a health emergency and the crisis was unique in the speed at which it evolved and the broad impact it had on our business both domestically and internationally. This year, more so than any other, we relied heavily on our company values and the capability of our people to drive decisions and keep the business operating safely and reliably throughout the year without disruption to our customers. The precautions we took both as a company and collectively as individuals kept our business operating and progressed several major initiatives, including the successful completion of the major maintenance event at the Refinery, material progress on the Gas Terminal Project at Geelong, and the successful divestment of our Viva Energy REIT (now Waypoint REIT) stake. We have since returned the majority of the proceeds of the divestment to our shareholders – $580 million – despite the challenges of the pandemic and are committed to returning the remaining $100 million.

Our non-Refining EBITDA (RC) was $614.5 million, up 16.5% on last year. This was driven by strong Retail performance, robust Diesel sales in both the Retail and Commercial segments and disciplined cost and capital management. The performance of our commercial business was also resilient, notwithstanding the loss of domestic and international aviation this year, which reflects the diverse segments in which we operate and the quality customers which make up our portfolio. The crisis placed significant challenges on our supply chain as we adjusted plans to accommodate reductions in demand, especially Jet and Gasoline. Further work across the supply chain and with our suppliers helped to reduce supply chain costs to accommodate a lower sales environment without impacting reliable supply to our various markets. Overall the management of our supply chain and operating costs provided some important insulation from the worst of the pandemic impacts.

Underlying Group EBITDA (RC) of $519.4 million was down 19.4% on last year on a non-normalised basis, reflecting the substantial impacts we experienced in the refining part of our business. The Company minimized impacts through reduced operating and capital spend and effective operational decisions in response to reduced demands. The Board made a decision last year to normalise Underlying EBITDA (RC) results for movements in available refining margins and foreign exchange, both of which are outside of management's ability to influence. Normalising the result ensures that management are neither advantaged nor disadvantaged by factors which are outside of their influence and provides a more accurate reflection of management performance during the year. The table below outlines the Company's performance for the years 2018 to 2020.

	2018		2019	2020
	Actual[1]	Pro Forma[2]	Actual[3]	Actual[3]
Underlying Group EBITDA (RC)	$528.9M	$774.6M	$644.5M	519.4M
Underlying EBITDA (RC) – Retail, Fuels & Marketing: Retail	$608.8M	$608.8M	$564.3M	670.8M
Underlying EBITDA (RC) – Retail, Fuels & Marketing: Commercial	$323.8M	$329.0M	$296.5M	238.3M
Underlying EBITDA (RC) – Refining	$124.5M	$124.5M	$117.0M	(95.1)M
Underlying EBITDA (RC) – Supply, Corporate and Overheads	($528.2)M	($287.7)M	$(333.3)M	(294.6)M
TRIF (Total Recordable Injuries/Frequency Rate)[4]	36/5.77	-	29/4.55[5]	19/3.6 [5]
Share price – high	$2.51	$2.51	$2.58	$2.12
Share price – low	$1.66	$1.66	$1.72	$1.13
Share price – close	$1.80	$1.80	$1.92	$1.91
Dividend per share (fully franked)	4.8 cents	4.8 cents[6]	4.7 cents	0.8 cents
Special dividend (unfranked)	-	-	-	5.94 cents
Capital return	-	-	-	21.46 cents
Statutory earnings per share basic/diluted	29.8/29.4 cents	26.6/26.2 cents	5.8/5.7 cents	(1.9)/(1.9) cents
Underlying earnings per share	15.1 cents	11.9 cents	7.0 cents	(1.9) cents
STI Outcomes – % of maximum	N/A	**0%**	**0%**	**26.25%**
LTI Outcomes – % of maximum	N/A	**N/A**	**N/A**	**25%**

1. Actual results achieved – reported based on AASB 117, the old lease accounting standard.
2. This shows the historical period as if accounting standard AASB 16 (the current lease accounting standard) was in effect for the 2018 financial year.
3. Actual results achieved – reported based on AASB 16.
4. TRIF are industry standard safety performance metrics that reflect personal safety and process safety performance (respectively).
5. Excludes performance by Liberty Oil Holdings, which was acquired in December 2019 and did not form part of the safety and environment hurdles set under the 2019 and 2020 STI scorecard.
6. This is the final dividend for the six months ended 31 December 2018. No interim dividend was paid in 2018.

5.2. 2020 STI outcomes

This section discusses:

- performance against the 2020 STI scorecard – see section 5.2.1; and
- information about how the Board exercised discretion to adjust the scorecard outcome – see section 5.2.2.

5.2.1 Performance against the 2020 STI scorecard

The table below details performance against the 2020 STI scorecard by the Executive KMP. Overall, the scorecard result for each Executive KMP on an unadjusted basis was slightly higher than target.

Performance against 2020 STI scorecard[1]

Category	Objective	Weighting	Performance against target range (Below threshold / Threshold / Target / Stretch)	Performance against the performance measure
Safety, Environment and people[2]	Build a generative safety culture and a highly engaged workforce focussed on delivering high quality results	10%		• TRIF 3.61 (4.55 in 2019)[2,3] • Two Tier 2 incidents and one Tier 1 incident (Two Tier 2 incidents in 2019)[2,3] • 19 LOPC > 100kg (29 LOPC > 100kg in 2019)[2,4] • Engagement score 70% (68% in 2019)[2] • Protection of health and operations throughout COVID-19
Financial	Deliver sustainable shareholder returns and consistent operating cash flows	60%	[5]	• Group Normalised Underlying EBITDA (RC) of $734m[6,7] • Retail Underlying EBITDA (RC) of $671m • Commercial Underlying EBITDA (RC) of $233m[7] • Supply Chain Underlying EBITDA (RC) of ($155m) • Refining Normalised Underlying EBITDA (RC) of $125m[7]
Strategic objectives	Progress key strategic initiatives that deliver long term growth and position the company for future success	30%		• Material progress on the Gas Terminal Project within the Geelong Energy Hub • Successful divestment of stake in Viva Energy REIT (now Waypoint REIT) • Return of $580M to shareholders by way of special dividend, capital return and on-market buy-back • Successful execution of major maintenance event at Geelong • Progress with the Federal Government to build a stronger foundation for continued refining operations • Carried out strategic review of the refining business and made progress to build stronger foundation for continued refining operations

1. For Safety, Environment and People, the same group metrics apply to all Executive KMP. For the Strategic objectives, in 2020 group strategic goals were applied because of the integrated effort of the executive team to respond to the COVID-19 crisis and deliver on the strategic milestones.
2. Excludes performance by Liberty Oil Holdings, which was acquired in December 2019 and did not form part of the safety, environment and people hurdles set under the 2020 STI.
3. TRIF and API Tier 1 and 2 measures are industry standard safety performance metrics that reflect personal safety and process safety performance (respectively).
4. Loss of Primary Containment. This measure measures the incidents resulting in the uncontrolled or unplanned release of material from a process or storage that serves as primary containment
5. This shows performance for the CEO and CFO, for whom Group Normalised EBITDA (RC) formed 60% of the scorecard. Performance for the COO was slightly higher than for the CEO and CFO reflecting the different composition of the COO's financial measures – 30% Group Normalised EBITDA (RC) and 30% Supply Chain Underlying EBITDA (RC).
6. Actual performance is restated applying available margin and exchange rate assumptions used to set the targets at the beginning of the performance period.
7. Results excluding Jobkeeper payments.

5.2.2 COVID-19 adjustment to the 2020 STI raw score

The Board considered whether the calculated raw STI scorecard result was appropriate in the circumstances. In doing so, the Board considered the COVID-19 impacts on the group financial performance, reduced dividends to shareholders and the broader societal expectations during a global pandemic. After careful consideration, despite at-target achievement against the financial metric for the CEO and CFO, and a slightly higher than target achievement for the COO, the Board resolved to exercise discretion to reduce the financial component of the STI, which made up 60% of the scorecard, to zero. Accordingly, only the strategic, safety, environment and people performance measures (together, 40% of the STI scorecard) were considered in determining the outcome. As a result, the final 2020 STI outcome approved by the Board for the Executive KMP was 26.25% of maximum opportunity.

The Board considers that the remuneration outcomes are fair in the way they balance stakeholder interests while appropriately rewarding executives for delivering a strong underlying result in the circumstances and making significant progress on major initiatives in 2020.

Final 2020 STI outcome

Executive KMP	Adjusted STI outcome (% of maximum opportunity)	Adjusted STI outcome (% of target)	Maximum STI foregone	Total STI award	STI award provided in Cash	STI award provided in Share Rights[1]
Scott Wyatt	26.25%	52.5%	$885,000	$315,000	$157,500	$157,500
Jevan Bouzo	26.25%	52.5%	$479,375	$170,625	$85,312	$85,312
Thys Heyns[2]	26.25%	52.5%	$442,500	$157,500	$157,500	-

1. Share Rights are planned to be granted in March 2021 and will vest into shares in two equal tranches, on 1 January 2022 and 1 January 2023, subject to conditions as set out in section 4.2. The number of Share Rights granted to each Executive KMP is determined by dividing the dollar value of the STI award to be provided in Share Rights by $1.6959, being the weighted average share price of the Company's shares over the performance period 1 January 2020 to 31 December 2020.
2. Due to Thys Heyns' retirement from the Company, with anticipated effect at the end of March 2021, his STI will be paid 100% in cash (no deferral component).

5.3. 2018-2020 Long Term Incentive Outcome

The three year performance period of the 2018-2020 LTI grant ended on 31 December 2020. The 2018-2020 LTI performance conditions along with the outcome against the maximum opportunity under the grant are shown in the table below.

In assessing the outcome, the FCF measure was normalised for movements in refining margins and foreign exchange (both on an after-tax basis) as these factors are outside of management's ability to influence. The Board excluded the impact of the Jobkeeper payment and adjusted for the Viva Energy REIT (now Waypoint REIT) dividend foregone as part of the sale of the investment and return of proceeds. As a result of these collective adjustments, FCF target was adjusted up from the normalised target of $410 million (stretch of $460 million) to $520 million (stretch of $570 million).

2018-2020 LTI measures, hurdles and outcome

Measure	Weighting	Vesting schedule	Minimum (0% vesting)	Maximum (100% vesting)	Actual performance	Vesting (% of maximum)
Cumulative FCF over the performance period	25%	Straight-line pro-rata vesting between 50-100% for performance between target and stretch hurdles	Less than adjusted target performance of $520m	Stretch adjusted performance of $570m	$611m	100%
Average ROCE for each year of the performance period	25%		Less than target performance of 15%	Stretch performance of 23%	9.8%	0%
TSR relative to the ASX100 Comparator Group	50%	Straight-line pro rata vesting between 50% and 100% for performance between 50th percentile and 75th percentile	Less than 50th percentile	At 75th percentile or above	30th percentile	0%
Total	**100%**					**25% vesting**

The average ROCE over the 2018-2020 LTI performance period was 9.8%, which was below target performance. The ROCE measure under the 2018-2020 LTI plan is not normalised for movements in available refining margins. The deteriorated refining margins since 2018, when the targets were set, has significantly impacted performance against this measure.

The outcome for each Executive KMP under the 2018-2020 LTI is shown in the table below.

Executive KMP	Date 2018 PR[1] granted	Number of 2018 PR granted	Value at grant date[2]	% of 2018 PR vested	Number of 2018 PR vested	Value of 2018 PR vested[3]	% of 2018 PR lapsed	Number of 2018 PR lapsed
Scott Wyatt	23 July 2018	480,000	$878,400	25%	120,000	$199,200	75%	360,000
Jevan Bouzo	23 July 2018	192,000	$351,360	25%	48,000	$79,680	75%	144,000
Thys Heyns	23 July 2018	240,000	$439,200	25%	60,000	$99,600	75%	180,000
Daniel Ridgway[4]	23 July 2018	240,000	$439,200	-	-	-	100%	240,000

1. 2018-2020 LTI Performance Rights
2. The values of the Performance Rights granted is based on the total grant date fair value. Refer to section 9.1 for further details on the fair value of the Performance Rights.
3. Calculated based on share price of $1.66, being the closing share price on the date of vesting on 23 February 2021.
4. Unvested 2018 LTI Performance Rights held by Daniel Ridgway lapsed upon his resignation on 29 May 2020.

6. Remuneration governance

6.1. Role of the Board

The Board, with the guidance of the Remuneration and Nomination Committee (**RNC**), is responsible for:

- approving the remuneration of the Non-Executive Directors and Executive KMP;
- ensuring the Company's remuneration framework is aligned with the Company's purpose, values, strategic objectives and risk appetite;
- evaluating the performance of the CEO and other members of the Executive Leadership Team (ELT); and
- approving incentive plans and engaging external remuneration consultants as appropriate.

6.2. Role of the Remuneration and Nomination Committee

The Board has established the RNC to assist the Board in fulfilling its responsibilities for governance and oversight of remuneration and board composition related matters.

The RNC is comprised of three Non-Executive Directors, a majority of whom are independent:

- Robert Hill (Chair);
- Arnoud De Meyer;
- Hui Meng Kho (resigned as a member with effect from 1 October 2020)
- Dat Duong (commenced as a member with effect from 1 October 2020)

The RNC's responsibilities include board composition and governance-related matters as well as making recommendations to the Board in relation to:

- remuneration policies that will be designed to support the execution of the Company's strategy and plans, and set remuneration and rewards at levels to attract and retain the best people;
- the remuneration of the Non-Executive Directors;
- the remuneration packages (including Fixed Annual Remuneration, incentive plans and any other benefits or arrangements) of the CEO and other members of the ELT; and
- the administration and operation of equity and incentive plans and assessing the effectiveness and implementation of such plans.

A copy of the RNC Charter is available on our website at www.vivaenergy.com.au.

6.3. Use of remuneration consultants

The RNC seeks external remuneration advice to ensure that it is fully informed when making decisions, including on recent market trends and practices and other remuneration-related matters.

In 2020, no remuneration recommendations were received from remuneration consultants as defined under the Corporations Act 2001.

7. Executive Statutory Remuneration

The table below has been prepared in accordance with the requirements on the Corporations Act 2001 and the relevant Australian Accounting Standards. The amounts provided under the 'STI – share-based payment' and 'LTI – share-based payment' columns are based on accounting values and do not reflect actual payments received in 2020.

		Short-term benefits				Post-Employment	Long-term benefits			
		Salary and fees $	2020 STI $	Non-monetary benefits $	Annual leave $	Super-annu-ation $	Long service leave $	STI-share-based payment $	LTI share-based payment $	Total $
				1			2	3	4	
Executive KMP										
Scott Wyatt	**2020**	**875,646[5]**	**157,500**	**5,055**	**30,264**	**21,354**	**(2,243)**	**65,625**	**737,248**	**1,890,449**
	2019	875,228	-	6,826	47,114	20,772	(83,012)	-	629,699	1,496,627
Jevan Bouzo	**2020**	**621,313[5,6]**	**85,312**	**4,132**	**(4,833)**	**21,354**	**10,471**	**35,547**	**374,049**	**1,147,345**
	2019	545,585	-	2,297	11,134	29,082	9,649	-	311,739	909,486
Thys Heyns [7]	**2020**	**521,379[5]**	**157,500**	**3,478**	**(11,442)**	**39,622**	**8,971**	**-**	**397,417**	**1,116,925**
	2019	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Former Executive KMP										
Daniel Ridgway [8]	**2020**	**224,578**	**-**	**1,425**	**68,599[9]**	**8,755**	**152,119[10]**	**-**	**(363,142)**	**92,334**
	2019	539,228	-	3,320	11,069	20,772	(22,113)	-	321,158	873,434
Total	**2020**	**2,242,916**	**400,312**	**14,090**	**82,588**	**91,085**	**169,318**	**101,172**	**1,145,572**	**4,247,053**
	2019	1,960,041	-	12,443	69,317	70,626	(95,476)	-	1,262,596	3,279,547

1. Non-monetary benefits represent the Viva Energy fuel discount benefit received, the payment of premiums for death and total and permanent disability insurance cover, the payment of plan management fees for the Viva Energy Superannuation Plan, and payments made with respect to mobile phone use.
2. Negative balances are as a result of the leave taken being greater than the leave accrued in the relevant financial year.
3. STI – share-based payment, represents the fair value of Deferred Share Rights granted under the 2020 STI, calculated in accordance with accounting standards.
4. LTI – share-based payment, represents fair value of Performance Rights granted under the 2020, 2019 and 2018 LTI and the statutory expense recorded in the income statement for the value of Legacy LTI options vesting across the period, calculated in accordance with accounting standards.
5. 2020 salary and fees include a $1,000 working from home payment received by all eligible employees.
6. Jevan Bouzo's total fixed annual remuneration (inclusive of base salary and superannuation) was increased from $600,000 to $650,000 from 1 March 2020. Actual base salary received was adjusted as required to account for changes to the maximum superannuation contributions base.
7. 2020 remuneration for Thys Heyns is shown for the full year, however he was only considered KMP from 1 June 2020.
8. 2020 remuneration for Daniel Ridgway is shown from 1 January 2020 until he ceased as KMP on 29 May 2020.
9. Includes annual leave payment of $90,829 upon termination
10. Includes long service leave payment of $148,379 upon termination

8. Non-Executive Director Remuneration

8.1. Non-Executive Director Fees

Non-Executive Directors are paid annual fees. With the exception of the Chairman, each Non-Executive Director who is a chair or a member of a Board Committee receives Committee fees in recognition of the additional responsibilities, time and commitment required. Non-Executive Directors do not receive any performance-related remuneration.

The table below sets out Non-Executive Director remuneration, inclusive of statutory superannuation.

	Description	Fees
Board	Chair	$400,000[1]
	Director	$165,000
Committee fees[2]	Chair	$35,000
	Member	$17,500

1. The Board Chair does not receive any additional fees for being the Chair or member of any Board Committees.
2. Standing Board Committees comprise: Audit and Risk; Remuneration and Nomination; Sustainability; and Investment.

Under the ASX Listing Rules and Viva Energy's Constitution, the total amount paid to all Non-Executive Directors must not exceed in aggregate in any year the amount fixed by Viva Energy in a general meeting for that purpose. As disclosed in the Prospectus, this amount has been fixed by the Company at $1.9M per annum. Non-Executive Director fees paid in 2020 were within this cap.

8.2. 2020 Non-Executive Director Fees

The fees paid to the Non-Executive Directors in 2020 are set out in the table below:

		Short-term benefits		Post – employment benefits	Other long term benefits	
Non-Executive Directors		Salary and fees $	Non-monetary benefits $	Super-annuation $	Other $	Total $
Robert Hill (Chairman)	**2020**	**378,646**	-	**21,354**	-	**400,000**
	2019	379,228	-	20,772	-	400,000
Arnoud De Meyer	**2020**	**217,500**	-	-	-	**217,500**
	2019	217,500	-	-	-	217,500
Dat Duong[1]	**2020**	-	-	-	-	-
	2019	-	-	-	-	-
Jane McAloon	**2020**	**214,612**	-	**20,388**	-	**235,000**
	2019	214,612	-	20,406	-	235,018
Michael Muller[1]	**2020**	-	-	-	-	-
	2019	-	-	-	-	-
Sarah Ryan[2]	**2020**	**235,000**	-	-	-	**235,000**
	2019	214,612	-	20,424	-	235,036
Former Non-Executive Directors						
Hui Meng Kho[1,3]	**2020**	-	-	-	-	-
	2019	-	-	-	-	-
Total	**2020**	**1,045,758**	-	**41,742**	-	**1,087,500**
	2019	1,025,952	-	61,602	-	1,087,554

1. Dat Duong, Michael Muller and Hui Meng Kho have agreed to not receive any remuneration for their positions as Non-Executive Directors.
2. Sarah Ryan did not receive superannuation in 2020 pursuant to an exemption granted by the ATO under section 19AA of the Superannuation Guarantee (Administration) Act 1992. Accordingly, Dr Ryan's 2020 fee includes the amount that would otherwise have been contributed as superannuation
3. Hui Meng Kho resigned as a Non-Executive Director with effect on 1 October 2020.

9. *Equity Interests*

9.1. Performance Rights and Legacy LTI option holdings – KMP

Abbreviations used in the following table:

2018 PR – 2018-2020 LTI Performance Rights | **2019 PR** – 2019-2021 LTI Performance Rights |**2020 PR** – 2020-2022 LTI Performance Rights |**Options** – Legacy LTI options

			Held at 1 January 2020		Granted[1]			Exercised		Held at 31[2] December 2020	
	Type	Exer-cise price ($)	Vested	Un-vested	Number	Value ($)	Lapsed	Number	Value ($)[3]	Vested	Un-vested
Executive KMP[4]											
Scott Wyatt	2020 PR	-	-	-	556,121	692,371	-	-	-	-	556,121
	2019 PR	-	-	541,198	-	-	-	-	-	-	541,198
	2018 PR	-	-	480,000	-	-	-	-	-	-	480,000
	Options[5]	0.82	2,883,928	-	-	-	-	2,883,928	3,172,321	-	-
Jevan Bouzo	2020 PR	-	-	-	301,232	295,207	-	-	-	-	301,232
	2019 PR	-	-	270,599	-	-	-	-	-	-	270,599
	2018 PR	-	-	192,000	-	-	-	-	-	-	192,000
	Options[5]	1.21	769,047	769,048	-	-	-	-	-	769,047	769,048
Thys Heyns	2020 PR	-	-	-	278,060	272,499	-	-	-	-	278,060
	2019 PR	-	-	270,599	-	-	-	-	-	-	270,599
	2018 PR	-	-	240,000	-	-	-	-	-	-	240,000
	Options[5]	0.82	1,538,095	-	-	-	-	1,538,095	1,691,905	-	-
Former Executive KMP											
Daniel Ridgway	2020 PR[6]	-	-	-	-	-	-	-	-	-	-
	2019 PR[7]	-	-	270,599	-	-	270,599	-	-	-	-
	2018 PR[7]	-	-	240,000	-	-	240,000	-	-	-	-
	Options[5]	0.82	1,345,834	-	-	-	-	1,345,834	1,480,417	-	-

1. The 2020 LTI Performance Rights were awarded to Jevan Bouzo and Thys Heyns on 18 February 2020 and Scott Wyatt on 6 July 2020. The number of Performance Rights were calculated by dividing the dollar value of their maximum LTI opportunity by $2.1578, being the volume weighted average price of the Company's shares on the ASX over the period from 1 January 2019 to 31 December 2019. The value of the Performance Rights granted in 2020 is based on the total grant date fair value.
2. Of the 2018 PRs held by Scott Wyatt, Jevan Bouzo and Thys Heyns, 25% have vested and the remaining 75% have lapsed since 31 December 2020
3. The value of Options exercised represents the number of Options exercised multiplied by the difference between Viva Energy's closing share price on the date of exercise ($1.92) and the exercise price of the option ($0.82 for each of Scott Wyatt, Thys Heyns and Daniel Ridgway).
4. No other members of KMP held Performance Rights or Options during the year.
5. The Legacy LTI plan was put in place prior to the Company's listing in 2018 and no further grants have been made since the listing nor will be made under this plan going forward.
6. Daniel Ridgway retired as COO and ceased being a KMP on 29 May 2020. Mr Ridgway did not participate in the 2020-2022 LTI.
7. Unvested 2018 and 2019 LTI Performance Rights held by Daniel Ridgway lapsed upon his resignation on 29 May 2020.

Further details of each grant of Performance Rights and Legacy LTI options to Executive KMPs outstanding at the end of 2020 are set out below:

Type	Grant date	Fair value at grant date	Vesting date
2020 PR	18 February 2020 6 July 2020	$0.47 - $1.73 $0.91 - $1.58	As notified by the Company to the participant after 31 December 2022
2019 PR	19 March 2019 23 May 2019	$1.73 - $2.23 $1.31 - $1.97	The date when all vesting conditions have been satisfied or waived (performance period ends 31 December 2021)
2018 PR	23 July 2018	$1.39 - $2.27	The date when all vesting conditions have been satisfied or waived (performance period ends 31 December 2020)
Options	Refer to section 4.5 Legacy LTI		

9.2. Shareholdings – KMP

The number of shares in the capital of the Company held directly and indirectly by each KMP are set out below:

	Balance as at 1 January 2020	Acquired in 2020	Acquired through exercise of options	Disposed in 2020	Other[1]	Balance as at 31 December 2020[2]
Non-Executive Directors						
Robert Hill	40,000	40,000	-	-	(12,800)	67,200
Dat Duong	-	-	-	-	-	-
Arnoud De Meyer	68,900	55,500	-	-	(19,904)	104,496
Jane McAloon	47,692	36,630	-	-	(13,491)	70,831
Mike Muller[3]	N/A	-	-	-	-	-
Sarah Ryan	73,291	20,000	-	-	(13,326)	79,965
Former Non-Executive Directors						
Hui Meng Kho[4]	-	-	-	-	-	N/A
Executive KMP						
Scott Wyatt	8,074,992	-	2,883,928[5]	-	(1,747,027)	9,171,893
Jevan Bouzo	154,210	786[6]	-	-	(24,798)	130,198
Thys Heyns	3,307,064	786[6]	1,538,095[5]	(413,992)	(709,111)	3,722,842
Former Executive KMP						
Daniel Ridgway[7]	3,368,330	-	1,345,834[5]	(43,989)	N/A	N/A

1. Reduction in number of shares held as a result of the share consolidation implemented on 12 October 2020.
2. Post 31 December 2020, Scott Wyatt Jevan Bouzo and Thys Heyns are due to receive 120,000, 48,000, and 60,000 ordinary shares respectively following the vesting of their 2018-2020 LTI performance rights.
3. Mike Muller became a director on 1 October 2020. Accordingly, the disclosure covers the period after 1 October 2020.
4. Hui Meng Kho resigned as a director with effect on 1 October 2020. Accordingly, the disclosure covers the period up to 1 October 2020.
5. Shares were acquired on 2 January 2020 following the exercise of the Legacy LTI options.
6. Acquired under the Employee Share Plan 2020 Exempt Share Award.
7. Daniel Ridgway resigned from the Company on 29 May 2020. Accordingly, the disclosure covers the period up to and including 29 May 2020.

10. 2021 Remuneration

10.1. Executive KMP remuneration

On the Company's listing in 2018, the remuneration of the CEO was intentionally set at modest levels relative to ASX listed peers. This was done recognising the strong retention focus and significant value tied to the legacy LTI structure put in place under the previous ownership.

In each remuneration report since listing, the Board has communicated its intention to re-align the CEO's pay as the Legacy LTI arrangements expired. With the last of these having expired for the CEO in January 2020, the Board believes it important to address the CEO's pay levels going forward to ensure there is sufficient engagement and retention value to secure the CEO to lead Viva Energy's business recovery and transformation agenda. In considering the CEO's remuneration, the Board considered a market cap peer group of ASX 50-150 (in which Viva Energy was around the median) which was further augmented by consideration of specific comparators of other CEO packages in the oil and gas industry. Both data sets confirmed that the CEO's remuneration was materially below market.

Accordingly, the Board has resolved to increase the CEO's Total Fixed Remuneration (TFR) from $896,000 to $1,146,000 in 2021. This is an increase of 27.9%. The Board acknowledges that this is a significant increase in fixed remuneration and will have a flow on effect to the CEO's incentive opportunities.

In approving this increase the Board considered the CEO's current fixed remuneration is well below the 25th percentile of comparators. The CEO is a highly regarded, skilled and experienced leader and the Board believes that he has the necessary skills, experience, and track record to lead Viva Energy through its next strategic plan and should be remunerated for that job. Following this increase, the CEO's TFR will still be below the median of the ASX 50–150 peer group and his total remuneration (including his incentive opportunities at maximum) will be around the median. This is an important step in re-aligning the CEO's pay to market rates. The Board will continue to review the CEO's pay annually with a view to moving the CEO's fixed remuneration to the Company's goal of above median of the peer group over time, as our business progresses through a period of recovery and transformation.

The increase in his fixed remuneration will be effected through a $100,000 (or 11%) increase in cash fixed remuneration and an annual grant of $150,000 of restricted equity (equity fixed remuneration)(Restricted Stock Units (RSU)). The RSUs will be subject to a service condition of 1 year and a further deferral period of 1 year. The Board decided to incorporate RSUs as a feature of the CEO's TFR as it wanted to address the market competitiveness of the package, but believed a combination of cash and RSUs was more appropriate than simply increasing his cash pay as it increases equity exposure of the CEOs package while also building in a retention component.

We have announced that Thys Heyns, Chief Operating Officer, will retire from the Company in 2021. Jevan Bouzo will be appointed to an expanded role of Chief Operating and Financial Officer, assuming responsibility for supply chain operations in addition to his existing accountabilities. The Board has reviewed Mr Bouzo's remuneration arrangements and decided to increase his remuneration commensurate with the additional responsibilities of the expanded role as well as recognize the breadth of skill and experience required to fulfill it. Mr Bouzo's TFR will increase from $650,000 to $800,000 in 2021. The LTI and STI opportunities remain at 100% of the TFR at maximum.

10.2. 2021 LTI

The Company's long term incentive structure was developed at the time the Company listed on the ASX in 2018 and had its first vesting opportunity this year. The Board reviewed the LTI program to ensure it remains fit for purpose, appropriately reflects the current operating landscape, focuses executive effort on long term priorities and continues to motivate and be valued by the executives. The Board has decided to make some adjustments to two of the LTI performance measures. The adjustments and the rationale are set out below.

2020 LTI	Change for the 2021 LTI	Reason for the change
50% of the LTI is weighted to rTSR. TSR performance is measured against the ASX 100 comparator group.	rTSR will continue to form 50% of the LTI in 2021. The Board has made a change to the comparator group from ASX100 to ASX 50-150.	In reviewing this measure, the Board considered a number of options, including other indices and bespoke peer groups. The Board decided to retain a broad peer group but made the change from ASX100 to ASX 50 -150. Viva Energy is not a constituent of the ASX100 index. In terms of market capitalization, the Company has been positioned at the 'lower-end' or outside the current comparator group (ASX 100) during the 2018-2020 LTI performance period. The Board considers ASX 50-150 to be a more appropriate comparator group as it more accurately reflects the companies against which Viva competes for capital.
25% of the LTI is weighted to cumulative FCF over the performance period.	FCF is retained at 25% weighting, though performance will be measured on a 'per share' basis.	The Board considers that FCF continues to be important and has adjusted the way in which FCF is considered by introducing FCF on a per share basis. This measure will be additive to the current FCF construct by focusing FCF generation on a per share basis, to take into account the possibility that the amount of shareholder's capital may vary during the period.

ROCE will continue to be retained in the LTI design, with further detail on the 2021 LTI to be disclosed in the Notice of Annual General Meeting.

Directors' report

The Directors present this report, together with the financial report of Viva Energy Group Limited (the Company) and the entities it controlled (collectively, the Group), for the financial year ended 31 December 2020.

This Directors' Report has been prepared in accordance with the requirements of the *Corporations Act 2001* (Cth). The following information forms part of this report:

- Director biographies on pages 24 to 27;
- Operating and financial review on pages 6 to 17;
- Risk management disclosures which form part of the Operating and financial review on pages 17 to 23;
- Remuneration report on pages 29 to 50;
- External auditor's independence declaration on page 58; and
- Note 35 Auditor's remuneration on page 117.

Directors, Secretaries and Meetings

The Directors of the Company at any time during the financial year ended 31 December 2020 and up until the date of this report are:

- Robert Hill – Appointed 18 June 2018
- Scott Wyatt – Appointed 7 June 2018
- Dat Duong – Appointed 7 June 2018
- Hui Meng Kho – Appointed 18 June 2018, resigned effective on 1 October 2020
- Arnoud De Meyer – Appointed 18 June 2018
- Jane McAloon – Appointed 18 June 2018
- Michael Muller – Appointed 1 October 2020
- Sarah Ryan – Appointed 18 June 2018

Information on the qualifications, experience, special responsibilities and other directorships of our Directors is set out on pages 24 to 27.

Company Secretaries

Lachlan Pfeiffer

BCom, LLB (Hons), MAICD

Lachlan Pfeiffer is the Executive General Manager, Legal and External Affairs. Lachlan was appointed Company Secretary on 7 June 2018.

Prior to joining Viva Energy in October 2014, Lachlan Pfeiffer worked as a corporate lawyer for Skadden, Arps, Slate, Meagher and Flom (UK) LLP, based in London for seven years. Lachlan started his career in Melbourne working for Norton Rose Fulbright (Australia).

Lachlan is a legal practitioner and holds a Bachelor of Commerce from Melbourne University and a Bachelor of Laws (with Hons) from Monash University. He is also a member of the Australian Institute of Company Directors.

Julia Kagan

BBus (Banking and Finance), LLB (Hons), FGIA

Julia Kagan was appointed Company Secretary on 26 July 2019.

Julia joined Viva Energy in August 2018. Prior to this, Julia held governance roles at BHP and at ASX as part of the Listings Compliance team. Julia is a legal practitioner and holds a Bachelor of Business and a Bachelor of Laws (Honours) from Monash University. She is a Fellow of the Governance Institute of Australia.

Directors' report (continued)

Directors' meetings

Details regarding Board and Board Committee meetings held during the year and each Director's attendance at these meetings are set out below. Directors have a standing invitation to attend all standing Board Committee meetings. Attendance by Directors at meetings of committees of which they are not a member is not reflected in the table below.

All Directors receive copies of the agendas, minutes and papers of each standing Board Committee meeting, save to the extent they are subject to a relevant conflict.

	Board meetings		Independent Board Committee[1]		Audit and Risk Committee		Sustainability Committee		Remuneration and Nomination Committee		Investment Committee	
	(A)	(B)	(A)	(B)	(A)	(B)	(A)	(B)	(A)	(B)	(A)	(B)
Non-executive Directors												
Robert Hill	15	15	1	1			6	6	4	4	3	3
Arnoud De Meyer	15	15	1	1					4	4	3	3
Dat Duong[2]	15	15			7	7			2	2	3	3
Hui Meng Kho[3]	12	12							2	2	2	2
Jane McAloon	15	15	1	1	7	7	6	6			3	3
Sarah Ryan	15	15	1	1	7	7	6	6			3	3
Michael Muller[4]	3	3					2	2			1	1
Executive Director												
Scott Wyatt	15	15	1	1							3	3

(A) *number of meetings held during the period which the Director was eligible to attend*
(B) *number of meetings attended by the Director*

1 The Independent Board Committee is not a standing Board Committee. This Committee was established in 2020 to consider potential conflict matters that may arise in connection with the Gas Terminal Project. Refer to the 2020 Corporate Governance Statement for further information.
2 Dat Duong became a member of the Remuneration and Nomination Committee on 1 October 2020.
3 Hui Meng Kho retired from the Board and its committees effective on 1 October 2020
4 Michael Muller was appointed to the Board and joined the Sustainability Committee and the Investment Committee on 1 October 2020

Directors' report (continued)

Principal activities and review of operations

Principal activities

During the year, the principal activities of the Group included the following:

- sales of fuel and specialty products through Retail and Commercial channels across Australia;
- management of a national supply, distribution and terminal network; and
- manufacturing activities at the Group's Geelong oil refinery.

State of affairs

There were no significant changes in the Group's state of affairs during the year other than as set out in the Operating and financial review, which is set out on pages 6 to 17 and in the Notes to the consolidated financial statements.

Review of operations

The Operating and financial review of the Group for the 2020 financial year is set out on pages 6 to 17 of this report.

Dividends

We paid the following dividends during the financial year ended 31 December 2020:

Dividend	Total Dividend	Payment date
Final dividend of 2.6 cents per share (fully franked) for the six months ended 31 December 2019	$50.6M	15 April 2020
Interim dividend of 0.8 cents per share (fully franked) for the half year ended 30 June 2020	$15.5M	16 September 2020
Special dividend of 5.94 cents per share (unfranked)	$114.9M	13 October 2020

Matters subsequent to the end of financial year

There has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Directors' report (continued)

Remuneration and share interests

Remuneration Report

The Remuneration Report is set out on pages 29 to 50.

Directors’ interests in share capital

The relevant interests of each Director in the share capital of the Company as at the date of this Directors’ Report is set out below.

Director	Number of ordinary shares in which the Director has a relevant interest
Robert Hill	67,200
Scott Wyatt	9,171,893*
Dat Duong	-
Arnoud De Meyer	104,496
Jane McAloon	70,831
Sarah Ryan	79,965
Michael Muller	-

* the CEO will receive 120,000 ordinary shares following the vesting of the 2018 LTI performance rights. As at the date of this report, these shares have not yet been transferred to the CEO. See the Remuneration Report for further information.

Our Managing Director and CEO, Scott Wyatt, holds 1,097,319 Performance Rights issued under the Company’s Long Term Incentive Plan.

Non-Executive Directors do not hold any rights or options over shares in the Company or any Group entity.

Directors' report (continued)

Remuneration and share interests (continued)

Rights and Options over shares in the Company

The table below details the number of Options, Performance Rights and Deferred Share Rights the Company had on issue as at the date of this report. Further information is available in the Remuneration Report.

	Number on issue as at 31 December 2019	Changes during the 2020 financial year	Number on issue as at 31 December 2020	Changes since the end of the 2020 financial year	Number on issue as at the date of this report
Options	8,651,786 Options at various exercise prices and expiry dates	7,113,691 Options exercised	1,538,095 Options exercisable at $1.21 expiring 1 January 2022	-	1,538,095 Options* exercisable at $1.21 expiring 1 January 2022
Performance Rights issued under the LTIP	3,524,041 Performance Rights	2,087,421** Performance Rights issued 510,599 Performance Rights forfeited	5,100,863 Performance Rights	308,000*** Performance Rights vested 924,000 Performance Rights lapsed	3,868,863 Performance Rights
Deferred Share Rights issue under the LTIP and STIP	213,903 Deferred Share Rights	1,987,680 Deferred Share Rights issued	2,201,583 Deferred Share Rights	329,119*** Deferred Share Rights vested	1,872,464 Deferred Share Rights

* As at the date of this report, there is only one holder of outstanding options as set out in the Remuneration Report.

**Of these, 556,121 performance rights were granted to the CEO on 6 July 2020 as approved by shareholders at the 2020 AGM.

*** Each Performance Right or Deferred Share Right that vests entitles the holder to acquire one ordinary share. The shares allocated upon vesting and exercise are acquired on market and transferred to the holder.

Corporate Governance

As at the date of this report, our corporate governance arrangements and practices complied with the 4th Edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.

Our 2020 Corporate Governance Statement is available on the Investor Centre section of our website at www.vivaenergy.com.au.

Auditor

Our external auditor, PricewaterhouseCoopers (PwC), has provided an independence declaration in accordance with the Corporations Act. This is set out at page 58.

Directors' report (continued)

Auditor (continued)

Non-audit services

Details of non-audit services provided by, and amounts paid to, our external auditor are set out in Note 35 *Auditor's remuneration* to the financial statements.

The Directors have formed the view, based on advice from the Audit and Risk Committee, that the provision of non-audit services during the 2020 financial year was compatible with, and did not compromise, the general standard of independence for auditors imposed by the *Corporations Act 2001*. The non-audit services provided did not involve the external auditor reviewing or auditing its own work or acting in a management or decision making capacity for the Company, or otherwise could reasonably be expected to compromise its independence.

No officer of the Company was a partner or director of PricewaterhouseCoopers during the financial year.

Environmental performance

The Group is subject to Federal, State and Local Government environmental regulation in respect of its land holdings, manufacturing, terminal and distribution facilities and marketing operations. Licences are held for a number of these operations issued by the relevant State environmental regulator.

The Group did not receive any fines, regulatory sanctions or prosecutions in relation to environmental issues or compliance with its licences during 2020.

The Group received a remedial notice relating to perfluoroalkyl and polyfluoroalkyl substances (PFAS) in stormwater discharges at its Newport Terminal and draft remedial notices, for discussion, from the Queensland Department of Environment & Science relating to PFAS at the Pinkenba Terminal. These notices relate to legacy PFAS contamination associated with the historical use of fluorinated fire-fighting foams at these facilities as part of the sites' fire safety systems. There is a national approach by environmental regulators across Australia to investigate and manage these legacy PFAS issues in a range of sectors that traditionally used these fire-fighting foams. At both the Newport and Pinkemba sites, these matters were voluntarily notified by Viva Energy to the relevant State regulator, and assessments and mitigation planning is underway to address these legacy issues in consultation with regulators.

Indemnities and insurance

The Company maintains a deed of access, insurance and indemnity with each Director and each Company Secretary of the Group. Under those deeds, the Company indemnifies, to the extent permitted by law, each Director and each Company Secretary against any loss that may arise from, or in connection with, any act or omission by that Director/Company Secretary in the performance of, or relating to or in connection with, their position as an officer of the Company or the execution or discharge of duties as such an officer, to the full extent permitted by law. Each deed provides that the Company must meet the full amount of any such loss, including legal costs (calculated on a full indemnity basis) that are reasonably incurred, charges and expenses.

Under the deeds, the Company must arrange and maintain a directors' and officers' insurance policy for the Directors and the Company Secretaries to the extent permitted by law, and must use reasonable endeavours to maintain such insurance for the period from the date of the deed until seven years after the Director/Company Secretary ceases to hold office. This seven-year period can be extended where certain actions or proceedings commence before the period expires.

The Group has entered into insurance policies to insure the Directors and Company Secretaries. The Group has paid the premiums for those policies. In accordance with common commercial practice, the insurance policies prohibits disclosure of the nature of the liabilities insured against and the amount of the premiums.

Viva Energy Group Limited has agreed to reimburse its auditors, PricewaterhouseCoopers, for any liability (including reasonable legal costs) incurred in connection with any claim by a third party arising from Viva Energy's breach of its audit engagement agreement.

Directors' report (continued)

Rounding of amounts

In accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, all amounts in this Directors' Report have been rounded to the nearest one hundred thousand dollars ($100,000), or in certain cases, to the nearest one thousand dollars ($1,000).

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

Robert Hill Chairman	Scott Wyatt CEO and Director

Date: 24 February 2021

Auditor's Independence Declaration

As lead auditor for the audit of Viva Energy Group Limited for the year ended 31 December 2020, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

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

This declaration is in respect of Viva Energy Group Limited and the entities it controlled during the period.

Chris Dodd
Partner
PricewaterhouseCoopers

Melbourne
24 February 2021

PricewaterhouseCoopers, ABN 52 780 433 757
2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au

Consolidated statement of profit or loss

For the year ended 31 December 2020

	Notes	2020	2019
		$M	**$M**
Revenue	1	**12,409.9**	**16,541.6**
Replacement cost of goods sold		(6,382.3)	(10,085.1)
Net inventory loss	2	(256.6)	(49.5)
Sales duties, taxes and commissions		(4,426.6)	(4,607.5)
Import freight expenses		(274.0)	(333.2)
Historical cost of goods sold		**(11,339.5)**	**(15,075.3)**
Gross profit		**1,070.4**	**1,466.3**
Net gain/(loss) on other disposal of property, plant and equipment		5.5	(1.9)
Net profit on sale of investments	30	106.4	1.3
Other income	2	24.9	-
Other income/(loss)		**136.8**	**(0.6)**
Transportation expenses		(236.0)	(253.3)
Salaries and wages		(266.3)	(258.3)
General and administration expenses		(147.9)	(114.4)
Maintenance expenses		(93.5)	(118.2)
Lease related expenses	13	(11.8)	(19.4)
Sales and marketing expenses		(81.3)	(105.4)
		370.4	**596.7**
Interest income		4.4	2.8
Share of profit of associates	30	10.6	60.2
Realised/unrealised gain on derivatives	2	35.3	7.9
Net foreign exchanges (loss)/gain	2	(28.5)	37.3
Depreciation and amortisation expenses	2	(388.8)	(355.7)
Finance costs	2	(189.9)	(191.0)
(Loss)/profit before income tax		**(186.5)**	**158.2**
Income tax benefit/(expense)	27	150.3	(44.9)
(Loss)/profit after tax		**(36.2)**	**113.3**
Earnings per share		**cents**	**cents**
Basic earnings per share	4	(1.9)	5.8
Diluted earnings per share	4	(1.9)	5.7

The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

Consolidated statement of comprehensive income

For the year ended 31 December 2020

	Notes	2020 $M	2019 $M
(Loss)/profit for the year		**(36.2)**	**113.3**
Other comprehensive income/(loss)			
Other comprehensive income that may be reclassified to profit or loss in subsequent years (net of tax)			
Effective portion of changes in fair value of cash flow hedges – Unrealised losses on cash flow hedges recognised by Waypoint REIT	30	-	(4.7)
Recycling of unrealised gains on cash flow hedges on disposal of investment in Viva Energy REIT (now called Waypoint REIT)	30	6.3	-
Other comprehensive income not to be reclassified to profit or loss in subsequent years (net of tax)			
Remeasurement of retirement benefit obligations	33	(2.4)	(1.7)
Net other comprehensive income/(loss)		**3.9**	**(6.4)**
Total comprehensive (loss)/income for the year (net of tax)		**(32.3)**	**106.9**

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated statement of financial position

As at 31 December 2020

	Notes	2020 $M	2019 $M
ASSETS			
Current assets			
Cash and cash equivalents	6	49.1	127.2
Trade and other receivables	8	794.1	1,247.8
Inventories	5	698.8	1,195.6
Assets classified as held for sale	12	2.9	6.7
Derivative assets	20	-	0.2
Prepayments	9	27.6	20.9
Current tax assets		21.0	31.2
Total current assets		**1,593.5**	**2,629.6**
Non-current assets			
Long-term receivables	14	33.6	38.4
Property, plant and equipment	12	1,475.2	1,468.1
Right-of-use assets	13	2,321.5	2,328.1
Goodwill and other intangible assets	16	646.7	657.0
Post-employment benefits	33	0.2	6.9
Investments accounted for using the equity method	30	15.4	641.8
Net deferred tax assets	27	325.8	166.0
Other non-current assets		2.1	2.1
Total non-current assets		**4,820.5**	**5,308.4**
Total assets		**6,414.0**	**7,938.0**
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	10	1,329.6	2,165.5
Provisions	17	122.0	127.8
Short-term lease liabilities	13, 22	135.9	128.0
Short-term borrowings	11	-	7.7
Derivative liabilities	20	19.4	19.0
Total current liabilities		**1,606.9**	**2,448.0**
Non-current liabilities			
Provisions	17	104.0	95.7
Long-term borrowings	21	153.3	256.9
Long-term lease liabilities	13, 22	2,398.4	2,320.3
Long-term payables	15	94.3	93.2
Total non-current liabilities		**2,750.0**	**2,766.1**
Total liabilities		**4,356.9**	**5,214.1**
Net assets		**2,057.1**	**2,723.9**
Equity			
Contributed equity	23	4,373.9	4,861.3
Treasury shares	23	(6.8)	(14.2)
Reserves	23	(4,216.6)	(4,246.5)
Retained earnings		1,906.6	2,123.3
Total equity		**2,057.1**	**2,723.9**

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity

For the year ended 31 December 2020

	Notes	Contributed equity $M	Treasury shares $M	Reserves $M	Retained earnings $M	Total equity $M
Balance at 1 January 2019		**4,861.3**		**(4,226.4)**	**2,144.2**	**2,779.1**
Statutory profit for the year		-	-	-	113.3	113.3
Unrealised losses on cash flow hedges recognised by Waypoint REIT		-	-	(4.7)	-	(4.7)
Remeasurement of retirement benefit obligations	33	-	-	(1.7)	-	(1.7)
Total comprehensive income for the year		**-**	**-**	**(6.4)**	**113.3**	**106.9**
Dividends paid	24	-	-	-	(134.2)	(134.2)
Reserve arising from IPO		-	-	(3.5)	-	(3.5)
Share based payment expense		-	-	(10.2)	-	(10.2)
Treasury Shares		-	(14.2)	-	-	(14.2)
Balance at 31 December 2019		**4,861.3**	**(14.2)**	**(4,246.5)**	**2,123.3**	**2,723.9**
Balance at 1 January 2020		**4,861.3**	**(14.2)**	**(4,246.5)**	**2,123.3**	**2,723.9**
Statutory loss for the year		-	-	-	(36.2)	(36.2)
Other comprehensive income recycled on sale of investment		-	-	6.3	-	6.3
Remeasurement of retirement benefit obligations	33	-	-	(2.4)	-	(2.4)
Total comprehensive loss for the year		**-**	**-**	**3.9**	**(36.2)**	**(32.3)**
Dividends paid (net of dividends paid on treasury shares)	24	-	-	-	(180.5)	(180.5)
Reserve arising from IPO		-	-	1.0	-	1.0
Share buy-back	23a, 23c	(72.3)	-	22.0	-	(50.3)
Capital return to shareholders	23a	(415.1)	1.0	(0.3)	-	(414.4)
Share based payment reserve movement	23c	-	-	3.3	-	3.3
Issue of shares to plan participants	23b	-	15.7	-	-	15.7
Treasury Shares	23b	-	(9.3)	-	-	(9.3)
Balance at 31 December 2020		**4,373.9**	**(6.8)**	**(4,216.6)**	**1,906.6**	**2,057.1**

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Consolidated statement of cash flows

For the year ended 31 December 2020

	Notes	2020 $M	2019 $M
Operating activities			
Receipt from trade and other debtors		15,937.0	19,050.3
Payments to suppliers and employees		(15,585.7)	(18,448.3)
JobKeeper payments received		21.8	-
Interest received		4.4	2.8
Interest paid on loans		(8.0)	(13.4)
Interest paid on lease liabilities		(171.0)	(162.5)
Net income tax refund/(paid)		11.8	(26.2)
Net cash flows from operating activities	7	**210.3**	**402.7**
Investing activities			
Purchases of property, plant and equipment		(157.4)	(161.7)
Proceeds from sale of property, plant and equipment		15.0	0.3
Purchase of land for resale		(6.8)	-
Proceeds from sale of land		6.8	-
Purchase of intangible asset		(1.1)	(0.1)
Net cash consideration paid for step acquisition of associate		(1.0)	(24.8)
Coles Express Alliance payment		-	(137.0)
Proceeds from sale of investments	30	730.1	
Share buy back		(50.3)	-
Net purchase of employee share options		(8.8)	(20.0)
Dividends received from associates	30	19.8	40.8
Loan to associate		-	(15.9)
Loan repayment from associate		-	20.0
Net cash flows contributed/(used) in investing activities		**546.3**	**(298.4)**
Financing activities			
Drawdown of borrowings		1,120.0	4,320.0
Repayments of borrowings		(1,227.2)	(4,170.0)
Dividends paid (net of dividend paid on treasury shares held)	24	(180.5)	(134.2)
Capital return (net of return paid on treasury shares held and transaction costs)		(414.4)	-
Upfront financing cost paid and capitalised		(0.1)	(3.0)
Repayment of lease liability		(124.8)	(106.2)
Net cash flows used in financing activities		**(827.0)**	**(93.4)**
Net (decrease)/decrease in cash and cash equivalents		(70.4)	10.9
Cash and cash equivalents at the beginning of the year		119.5	108.6
Cash and cash equivalents at the end of the year	6	**49.1**	**119.5**

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the consolidated financial statements

General information

Reporting entity

The consolidated financial statements of Viva Energy Group Limited ('Company') and the entities it controlled (collectively, 'Group') for the year ended 31 December 2020 were authorised for issue in accordance with a resolution of the Directors on 24 February 2021. The Company is a for-profit Company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange (ASX: VEA).

The Group is principally engaged in refining, marketing, sale, supply and distribution of fuel and related specialty products. The Group's principal place of business is 720 Bourke Street, Docklands, Australia.

Significant changes in the current reporting period

The financial position and performance of the Group was particularly affected by the following events and transactions during the reporting period:

- COVID-19 and its impact on the performance of the Group, with the Retail, Aviation and Marine businesses together with the refinery particularly impacted;
- on 21 February, the Group sold its 35.5 percent security holding in Viva Energy REIT (now called Waypoint REIT) (see note 30);
- a share buy-back program was announced during the period, which to 31 December 2020 had reduced shares on issue by 27,397,847 ordinary shares (see note 23);
- a capital return of $415.1 million and special dividend of $114.9 million paid to shareholders were undertaken in October 2020 which returned $530.0 million to shareholders, with associated share consolidation activities reducing shares on issue by 309,498,674 ordinary shares (see note 23 and 24).
- on 5 May 2020 the Group agreed to acquire the remaining 50% interest in Westside Petroleum Pty Ltd. Subsequent to the acquisition receiving regulatory approval, the transaction was completed on 31 August 2020 (see note 29).

Basis of preparation

Statement of compliance

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial report has been prepared on a going concern basis. The Directors have made this assessment on the basis that the Group has sufficient liquidity and undrawn borrowing facilities to meet its obligations and pay its debts as and when they fall due. Notwithstanding, current liabilities exceed current assets by $13.4 million as at 31 December 2020, primarily due to a decrease in working capital driven by a reduction in average benchmark crude and refined product prices between December 2019 and December 2020.

The financial report has been prepared on a historical cost basis, except for financial assets and liabilities (including derivative instruments) which have been measured at fair value.

The Group's consolidated financial statements also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The financial report is presented in Australian Dollars. In accordance with ASIC Legislative Instrument 2016/191, all values are rounded to the nearest one hundred thousand ($100,000), or in certain cases, to the nearest one thousand ($1,000).

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('functional currency'). The consolidated financial statements are presented in Australian dollars, which is the Group's functional and presentation currency.

Use of estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are highlighted below.

- Note 5 *Inventories* outlines the estimates and accounting policy used by the Group to value inventories
- Information about the assumptions and the risk factors relating to impairment are described in Note 8 *Trade and other receivables* and Note 16 *Goodwill and other intangible assets;*
- Note 12 *Property, plant and equipment* describes the policy and estimation of minimum operating stock and also the process of assessing for impairment of property, plant and equipment;
- Note 13 *Leases* provides an explanation of the key assumptions used to determine the lease related right-of-use assets and lease liabilities;
- Note 16 *Goodwill and other intangible assets* outlines the key assumptions and methodology used to assess the carrying value of the Groups goodwill for impairment.
- Note 17 *Provisions* provides key sources of estimation, uncertainty and assumptions used in regards to estimation of provisions;
- Note 19 *Financial assets and liabilities* and Note 25 *Fair value of financial assets and liabilities* provides an explanation of the key assumptions used to determine the fair value of financial assets and liabilities; and
- Information about the assumptions and the risk factors relating to income tax expense and deferred tax balances are described in Note 27 *Income tax and deferred tax*.
- Note 29 *Business combinations* outlines the judgments and calculations undertaken under the guidance of AASB 3 *Business combinations* to recognise goodwill as a result of the Westside Petroleum acquisition.

New and revised accounting standards

In the current year, several amendments and interpretations were issued by the Australian Accounting Standards Board. The Group has adopted all of the new amendments and interpretations issued that are relevant to its operations and effective for the current annual reporting period. These are listed below:

- AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material
- AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a Business
- AASB 2019-5 Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet issued in Australia
- AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework
- AASB 2020-4 Amendments to Australian Accounting Standards – COVID-19-related Rent Concessions

The adoption of these new amendments and interpretations do not have a significant impact on the consolidated financial statements of the Group in the current or future periods. Other new amendments and interpretations introduced in the current period are not applicable to the Group.

Standards issued but not yet effective as at 31 December 2020

A number of new accounting standards and interpretations have been published that are not yet effective for periods beginning 1 January 2020 and have not been early adopted by the Group. These standards and interpretations applicable from periods beginning 1 January 2021 or beyond as noted by the effective date, are not expected to have a material effect on the consolidated financial statements.

Reclassification and changes in financial presentation

Where presentation and classification of items in the consolidated financial statements changes, the comparative amounts are also reclassified unless it is impractical to do so. The nature, amounts and reason for the reclassification are also disclosed. If the reclassification affects an item on the balance sheet, a third consolidated statement of financial position is also presented.

Results for the Year

1. Revenue

Set out below is the disaggregation of the Group's revenue from contracts with customers:

	2020	2019
	$M	$M
Revenue from contracts from customers		
Revenue from sale of goods	12,200.8	16,375.0
Non-fuels income	182.3	157.5
	12,383.1	16,532.5
Other revenue	26.8	9.1
Total revenue	**12,409.9**	**16,541.6**

Revenue from sale of goods

The Group primarily generates revenue from the sale of refined products in Australia directly to motor vehicle users via the Shell Coles Express Alliance network, directly or indirectly to service stations for sale to motor vehicle users, and to commercial businesses such as road transport, shipping companies, government bodies and airlines. The products that the Group sells are either refined at its own Geelong Refinery or imported into Australia as refined products.

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery.

On 1 March 2019, the Group assumed responsibility of retail fuel pricing and marketing across the Alliance network and from this date commenced recognising revenue upon sale of fuel to the motor vehicle user. Prior to this date, the Group recognised revenue upon delivery of fuel to the Alliance retail site.

Commercial customers have full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. No element of financing is deemed present as the sales are made with a credit term of typically 15 to 45 days, which is consistent with market practice.

Revenue is recognised based on the price specified in the contract, net of expected returns, trade allowances, rebates and GST collected on behalf of third parties. Total revenue includes the recovery of excise paid.

Non-fuels income

Non-fuel income is principally from the site licence payments that the Group receives under a long-term alliance with Coles Express. Other non-fuel income includes income from the use of Shell Card and the payment of royalties on convenience sales at alliance retail sites.

(i) Site Licence

The Group has granted to Coles Express a licence of the premises for the conduct of its business from that site. Calculation of the site licence fee payable by Coles Express is detailed in each Site Agreement and on commercial terms that are bespoke to the Alliance Arrangements. Revenue from licence fees is recognised over the licence period.

(ii) Brand Licence Fees

Licence fees relate to the right to access and to market fuel under the Shell brand. The Group (i.e. licensor) holds the licence to Shell brand and therefore retains the control over the brand. Revenue from licence fees is recognised over the licence period.

(iii) Shell Card Fees

The Group offers Shell Cards that provide customers a secure and efficient way to buy quality fuels, access to an extensive national service stations network and the option to use online tools to manage fuel spending. The Group charges a monthly card fee to its customers for the use of the card. Revenue from Shell Card is recognised over a period of time. No element of financing is deemed present as the sales are made with a credit term of typically 15 to 45 days, which is consistent with market practice.

1. Revenue (continued)

Non-fuels income (continued)

(iv) Royalties

The Group receives royalties on convenience store sales in excess of agreed sales thresholds. The amount payable to the Group is calculated on an annual basis as a percentage of any excess over a threshold amount of gross sales of certain kinds of goods and services made on certain sites. Revenue from royalties is recognised over a period of time.

Other revenue

Other income includes rental recoveries, income from sub-leases and management fees earned through the Aviation business.

Assets and liabilities related to contracts with customers

There were no assets or liabilities recognised in the balance sheet related to revenue from contracts with customers because the period of amortisation is less than one year.

Disaggregation of revenue from contracts with customers

No one customer accounts for more than 10% of revenue.

2. Other profit or loss items

	2020	2019
	$M	**$M**
Net inventory loss	(256.6)	(49.5)

During the year, a net inventory loss of $256.6 million (2019: $49.5 million loss) was recorded in net inventory gain/(loss) which accounts for the net impact of movement in oil prices on inventory. Net inventory gains and losses within costs of goods sold represent the difference between the cost of goods sold calculated using the replacement cost of inventory and the cost of goods sold calculated on the FIFO method. Under the FIFO method, which is used to comply with accounting standard requirements, the cost of inventory charged to the statement of profit and loss is based on its historical cost of purchase or manufacture, rather than its replacement cost at the time of sale.

Fluctuations in foreign exchange and commodity prices (which are impacted by both the USD oil price and the foreign exchange rate) can have a distorting effect on the Group's underlying results, and the replacement cost of goods sold quantifies this impact. Replacement cost of goods sold is a non-International Financial Reporting Standards measure, and is used by management to present a clearer picture of the Group's underlying business performance before impacts from movements in oil price and foreign exchange.

	2020	2019
Realised/unrealised gains on derivatives	**$M**	**$M**
Derivative contracts	35.3	7.9

The Group is exposed to the effect of changes in foreign exchange and commodity price movements. During the year the Group entered into derivative contracts, being principally foreign exchange currency contracts (forwards and swaps) and commodity derivative instruments for the purpose of managing the market risks arising from the Group's operations and to hedge market exposure.

Derivatives are recognised at fair value. The gain or loss on subsequent remeasurement is recognised immediately in the consolidated statement of profit or loss. For the year ended 31 December 2020 and including any open positions at balance date, gains of $35.3 million were made (2019: $7.9 million gain). The gains in the current period were the result of various commodity price movements and a weakening AUD through the year.

2. Other profit or loss items (continued)

	2020	2019
Foreign exchange gain/(loss)	**$M**	**$M**
Foreign exchange gains	117.6	107.7
Foreign exchange losses	(146.1)	(70.4)
Net foreign exchange (loss)/gain	**(28.5)**	**37.3**

Foreign currency transactions are translated into Australian dollars using the exchange rate at the date of transactions. Gains and losses resulting from the settlement of such transactions and from the translation of foreign exchange denominated monetary assets and liabilities at year end exchange rates are recognised in the consolidated statement of profit or loss. The net foreign exchange gain/(loss) primarily relates to the foreign currency movements arising from the Group's trade and other payables.

	2020	2019
Depreciation and amortisation expense	**$M**	**$M**
Depreciation of property, plant and equipment	(140.2)	(128.1)
Depreciation charge of right-of-use assets	(216.2)	(199.1)
Amortisation of intangible assets	(32.4)	(28.5)
Total depreciation and amortisation expense	**(388.8)**	**(355.7)**

	2020	2019
Finance costs	**$M**	**$M**
Interest on borrowings, trade finance and commitment fees	(12.5)	(22.1)
Interest on lease liabilities	(171.0)	(162.5)
Unwinding of discount on provisions	(4.0)	(4.3)
Unwinding of discount on long-term payables	(2.4)	(2.1)
Total finance costs	**(189.9)**	**(191.0)**

Other income

In 2020 the Group recorded payments of $24.9 million (2019: nil) from the Federal Government's "JobKeeper" wage subsidy program, a measure implemented by the Fedral Government in response to the impact of COVID-19. The payments provided assistance to the Group in supporting employees in the most impacted parts of the business, particularly in the aviation and refining business.

These JobKeeper payments were accounted for as government grants and recognised at their fair value upon reasonable assurance that the grant would be received and the Group has complied with all attached conditions.

3. Segment information

The Group has identified its operating segments on the basis of how the Chief Operating Decision Maker reviews internal reports about components of the Group to assess performance and determine the allocation of resources. The Group is organised into business units based on operational activities and has three reportable segments:

Retail, Fuels and Marketing

The Retail, Fuels and Marketing segment consists of both retail and commercial sales and marketing of fuel and specialty products in Australia under the Shell, Liberty, Westside Petroleum and Viva Energy brands as well as generation of substantial non-fuel income. All sales and marketing focused activities are included in this segment.

Refining

The Group's Geelong refinery in Corio, Victoria refines crude oil into petrol, diesel and jet fuel. The refinery also manufactures and produces specialty products such as liquid petroleum gas, bitumen, oils, and chemical products.

Supply, Corporate and Overheads

The Group owns and manages an integrated supply chain of terminals, storage facilities, depots, pipelines and distribution assets throughout Australia in order to facilitate product distribution and delivery through wholesale and retail sites. This segment also includes property expenses and corporate functions that facilitate business activity. These activities have been grouped as a segment as they largely represent the overhead base of the business and undertake all the non-sales and non-manufacturing activities within the Group.

Management monitors the operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment. The performance of operating segments is evaluated based on segment profit and loss, and is measured consistently with profit or loss in the consolidated financial statements in accordance with the Group's accounting policies. Transfer prices between operating segments are on an arm's length basis similar to transactions with third parties.

3. Segment information (continued)

Information about reportable segments

31 December 2020	Retail, Fuels and Marketing	Refining	Supply, Corporate and Overheads	Total Segments
	$M	$M	$M	$M
Segment revenue:				
Total segment revenue	12,275.3	2,854.7	10,841.8	25,971.8
Inter-segment revenue	-	(2,854.7)	(10,707.2)	(13,561.9)
External segment revenue	**12,275.3**	**-**	**134.6**	**12,409.9**
Gross Profit	1,277.2	50.3	(0.5)	1,327.0
Net inventory gain/(loss)	-	-	(256.6)	(256.6)
Gross Profit	**1,277.2**	**50.3**	**(257.1)**	**1,070.4**
Profit/(loss) before interest, tax, depreciation and amortisation	**909.1**	**(95.1)**	**(426.2)**	**387.8**
Interest income	0.2	-	4.2	4.4
Depreciation and amortisation expenses	(69.9)	(67.5)	(251.4)	(388.8)
Finance costs	(15.1)	-	(174.8)	(189.9)
Segment profit/(loss) before tax expense	**824.3**	**(162.6)**	**(848.2)**	**(186.5)**
Other material items:				
Share of profit of associates	-	-	10.6	10.6
Capital expenditure	18.6	117.3	21.5	157.4

31 December 2019	Retail, Fuels and Marketing	Refining	Supply, Corporate and Overheads	Total Segments
	$M	$M	$M	$M
Segment revenue:				
Total segment revenue	16,339.3	4,688.5	15,307.3	36,335.1
Inter-segment revenue	-	(4,688.5)	(15,105.0)	(19,793.5)
External segment revenue	**16,339.3**	**-**	**202.3**	**16,541.6**
Gross Profit	1,234.3	299.8	(18.3)	1,515.8
Net inventory gain/(loss)	-	-	(49.5)	(49.5)
Gross Profit	**1,234.3**	**299.8**	**(67.8)**	**1,466.3**
Profit before interest, tax, depreciation and amortisation	**860.8**	**117.0**	**(275.7)**	**702.1**
Interest income	-	-	2.8	2.8
Depreciation and amortisation expenses	(65.9)	(59.4)	(230.4)	(355.7)
Finance costs	(11.3)	-	(179.7)	(191.0)
Segment profit before tax expense	**783.6**	**57.6**	**(683.0)**	**158.2**
Other material items:				
Share of profit of associates	-	-	60.2	60.2
Capital expenditure	18.4	88.5	54.8	161.7

Geographical information

The Group's country of domicile is Australia. The Group has operations in Australia, Singapore and Papua New Guinea however all revenues are generated in Australia. All of the Group's non-financial non-current assets are located in Australia.

4. Earnings per share

Basic EPS is calculated by dividing the profit for the year attributable to ordinary equity holders of the Group by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive options into ordinary shares. In line with the requirements of AASB 133 *Earnings per Share* adjustments to the weighted average number of ordinary and diluted shares are made for events, other than the conversion of potential ordinary shares, that have changed the number of shares outstanding without a corresponding change in resources.

The following tables reflect the earnings and share data used in the basic and diluted EPS computations:

(a) Basic earnings per share	**2020**	**2019**
	Cents	**Cents**
Total basic earnings per share attributable to the ordinary equity holders of the Group	(1.9)	5.8

(b) Diluted earnings per share	**2020**	**2019**
	Cents	**Cents**
Total diluted earnings per share attributable to the ordinary equity holders of the Group	(1.9)	5.7

(c) Weighted average number of shares used as the	**2020**	**2019**
	Number	**Number**
Weighted number of ordinary shares used as the denominator in calculating basic earnings per share	1,865,755,543	1,944,535,168
Adjustments for calculation of weighted diluted earnings per share:		
Options	8,206,118	34,034,504
Weighted number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	1,873,961,661	1,978,569,672

(d) Information concerning the classification of securities

Ordinary Shares

Ordinary shares at 31 December 2020 of 1,607,638,647 represent the 1,944,535,168 shares listed on the ASX as part of the IPO on 13 July 2018, adjusted for the reduction of 309,498,674 ordinary shares as a result of the share consolidation undertaken by the Group in 2020, and a further reduction of 27,397,847 ordinary shares through current year share buy-back activities.

Any profit is available for distribution to the holders of Viva Energy Group Limited ordinary shares in equal amounts per share, subject to the Group's approved dividend strategy.

Options and Rights

Options and rights granted to employees are considered to be potential ordinary shares. They have been included in the determination of diluted earnings per share if the exercise price of the options is lower than the listed share price of Group shares as at 31 December 2020 or if it is considered likely that performance conditions in relation to the rights will be achieved. The options and rights have not been included in the determination of basic earnings per share. Details relating to the options and rights are set out in Note 34 *Related party disclosures*.

Working capital and cash flow

5. Inventories

	2020	2019
	$M	$M
Crude for processing	141.2	311.3
Hydrocarbon finished products	526.6	858.1
	667.8	**1,169.4**
Stores and spare parts	31.0	26.2
Total inventories	**698.8**	**1,195.6**

Inventories are stated at the lower of cost and net realisable value. Cost is based on the first-in, first-out ('FIFO') principle and includes the direct cost of acquisition or manufacture. The inventory management system used by the Group is based on replacement cost methodology. Certain management estimates are required to adjust replacement cost to the FIFO method in order to comply with accounting standard requirements.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Impairment of inventories is recognised when net realisable value falls below carrying cost. This primarily occurs as a result of movements in crude oil and refined product prices between the date of purchase and balance date, and is recorded in net inventory gain/(loss) in the consolidated statement of profit or loss. No inventory impairment was recognised during the year (2019: nil).

6. Cash and cash equivalents

	2020	2019
	$M	$M
Cash at bank per consolidated statement of financial position	49.1	127.2
Bank overdraft (Note 11)	-	(7.7)
Balances per consolidated statement of cash flows	**49.1**	**119.5**

Cash and cash equivalents include cash deposits held at call with financial institutions. Cash at bank earns interest at floating rates based on daily bank deposit rates during the year, and at the end of the reporting year there were no restrictions on cash (2019: nil).

7. Reconciliation of profit to net cash flows from operating activities

	2020	2019
	$M	$M
Profit	**(36.2)**	**113.3**
Adjustments for:		
Net (gain)/loss on disposal of property, plant and equipment	(5.5)	1.9
Net profit on sale of investment	(113.9)	-
Depreciation and amortisation	172.6	156.6
Depreciation of right-of-use assets	216.2	199.1
Non-cash interest and amortisation on long term loans	7.9	1.4
Non-cash loss/(gain) on remeasurement of investment	7.4	(1.3)
Unrealised loss on derivatives	0.6	33.4
Unrealised foreign exchange movements	10.2	(31.6)
Share of associate's profit not received as dividends or distributions	(10.6)	(60.2)
Non-cash employee share option taken up in reserves	10.9	2.2
Non-cash treasury shares granted to employees	1.1	-
Non-cash tax expense relating to IPO transaction cost offset against IPO reserve	1.0	(3.4)
Net cash flows from operating activities before movements in assets/liabilities	**261.7**	**411.4**
Movements in assets and liabilities:		
Working capital balances		
Decrease/(increase) in receivables	456.3	(8.1)
Decrease/(increase) in inventories	497.9	(172.9)
(Decrease)/increase in payables	(859.6)	162.3
Other		
Decrease in other assets	6.0	5.9
Increase in deferred tax assets	(158.3)	(25.3)
Decrease in post-employment benefits	3.0	2.1
Decrease in tax asset	10.2	47.2
Increase in provisions	(6.9)	(19.9)
Net cash flows from operating activities	**210.3**	**402.7**

Movements in the assets and liabilities for the year ended 31 December 2020 have been adjusted for the assets and liabilities transferred from Westside Petroleum Pty Ltd which was acquired on 31 August 2020, as well as elimination of intercompany balances due to the acquisition. In the comparative 2019 period, adjustments for assets and liabilities transferred and intercompany eliminations also occurred to account for the Liberty Oil Holdings Pty Ltd acquisition on 1 December 2019. Refer to note 29 *Business combinations* for further details.

8. Trade and other receivables

	2020	2019
	$M	$M
Trade receivables		
Trade receivables	658.5	1,008.5
Allowance for impairment of receivables	(5.1)	(4.2)
Total trade receivables	**653.4**	**1,004.3**
Other receivables		
Receivables from related parties (Note 34)	12.3	90.4
Receivables from associates	39.5	35.9
Loan to associates	13.7	6.9
Finance lease receivables (Note 13)	1.1	-
Other debtors	74.1	110.3
Total other receivables	**140.7**	**243.5**
Total trade and other receivables	**794.1**	**1,247.8**

8. Trade and other receivables (continued)

Trade receivables

Trade receivables are non-interest-bearing and are generally on terms of 15 to 45 days. Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade receivables are recognised initially at fair value and are held with the objective to collect the contractual cash flows, and therefore subsequently measured at amortised cost using the effective interest method. Due to the short term maturity, the carrying amount approximates the fair value. Periodically, the Group enters into factoring arrangements on specific trade receivable balances as part of their overall collections strategy. At 31 December 2020 there were no outstanding trade receivables subject to factoring (2019: nil).

The Group applies the AASB 9 *Financial instruments* simplified approach to measuring trade receivable expected credit losses which uses a lifetime expected loss allowance for expected credit losses for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over past periods using historical data and also using forward looking projections of customer payment expectations. Trade receivables are often insured for events of non-payment, through third party insurance, which has also been factored into the expected loss rate calculations.

The loss allowance as at 31 December 2020 was determined as follows for trade receivables:

31 December 2020	Total	Current	Not more than 30 days past due	More than 30 days but not more than 60 days past due	More than 60 days but not more than 90 days past due	More than 90 days but not more than 120 days past due	More than 120 days past due
	$M	$M	$M	$M	$M	$M	$M
Expected loss rate		0.3%	1.0%	2.0%	5.0%	10.0%	70.0%
Gross carrying amount – trade receivables	**658.5**	632.8	18.8	1.7	0.8	0.2	4.2
Loss allowance	**(5.1)**	(1.9)	(0.2)	(0.1)	(0.0)	(0.0)	(2.9)

31 December 2019	Total	Current	Not more than 30 days past due	More than 30 days but not more than 60 days past due	More than 60 days but not more than 90 days past due	More than 90 days but not more than 120 days past due	More than 120 days past due
	$M	$M	$M	$M	$M	$M	$M
Expected loss rate		0.3%	1.0%	2.0%	5.0%	10.0%	15.0%
Gross carrying amount – trade receivables	**1,008.5**	962.5	36.9	1.4	0.6	1.0	6.1
Loss allowance	**(4.2)**	(2.7)	(0.4)	(0.1)	-	(0.1)	(0.9)

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

	2020	2019
	$M	$M
Opening loss allowance as at 1 January	(4.2)	(4.3)
Increase in loss allowance recognised in profit or loss during the year	(1.3)	(1.3)
Receivables written off as uncollectible	0.9	2.1
Amount recognised as a result of acquisitions	(0.5)	(0.7)
Closing loss allowance At 31 December	**(5.1)**	**(4.2)**

8. Trade and other receivables (continued)

Trade receivables (continued)

The creation and release of loss allowances for trade receivables has been included within general and administration expense in the consolidated statement of profit or loss. Amounts charged to the allowance account are generally written off when there is no reasonable expectation of recovering additional cash.

Other receivables

Other receivables include receivables from related parties and other debtors of which the majority relates to GST receivable balances and other specific receivable balances. Other receivables are measured at amortised cost as they are held with the objective to collect contractual cash flows of principal and interest payments. Given the nature of the other receivable balances and based on both previous history of collections and future expectations of receipts, the Group believes that other receivables are fully collectable and have not applied a credit loss allowance to these balances.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included within trade and other receivables or trade and other payables in the consolidated statement of financial position.

9. Prepayments

	2020	2019
	$M	**$M**
Prepayments	**27.6**	**20.9**

Prepayments primarily relate to prepaid council rates, insurance and shipping related costs. In addition, as at 31 December 2020 the Group has recognised a $7.5 million (2019: nil) prepayment to the State Revenue Office relating to the stamp duty contingency outlined in note 18 *Commitments and contingencies*.

10. Trade and other payables

	2020	2019
	$M	**$M**
Trade payables	507.8	744.6
Amounts due to related parties	821.7	1,407.7
Amounts due to associates	0.1	13.2
Total trade and other payables	**1,329.6**	**2,165.5**

Trade payables and amounts due to related parties and associates are non-interest-bearing and are normally settled in 30 to 60 days. Amounts due to related parties are primarily for purchases of hydrocarbon. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the end of the reporting period. The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

11. Short-term borrowings

	2020	2019
	$M	**$M**
Bank overdraft	-	7.7
Total short-term borrowings	**-**	**7.7**

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Long-term assets and liabilities

12. Property, plant and equipment

	Construction in progress	Freehold land	Freehold buildings	Leasehold buildings	Plant and equipment	Total
	$M	$M	$M	$M	$M	$M
As at 1 January 2019						
Opening net book value	**272.1**	**112.9**	**155.3**	**52.0**	**879.0**	**1,471.3**
AASB 16 opening adjustment	-	-	-	(39.8)	-	(39.8)
Acquisition of Liberty Oil Holdings	-	5.1	0.4	-	16.3	21.8
Additions	160.8	-	-	-	1.3	162.1
Disposals	(4.1)	(2.1)	(0.4)	-	(2.5)	(9.1)
Depreciation	-	-	(11.3)	-	(116.8)	(128.1)
Transfers*	(257.8)	-	5.7	(12.2)	260.9	(3.4)
As at 31 December 2019	**171.0**	**115.9**	**149.7**	**-**	**1,038.2**	**1,474.8**
Cost	171.0	115.9	211.8	-	1,478.6	1,977.3
Accumulated Depreciation	-	-	(62.1)	-	(440.4)	(502.5)
Balance as above	**171.0**	**115.9**	**149.7**	**-**	**1,038.2**	**1,474.8**
Assets held for sale	-	(5.9)	(0.1)	-	(0.7)	(6.7)
Property, plant and equipment	**171.0**	**110.0**	**149.6**	**-**	**1,037.5**	**1,468.1**
As at 1 January 2020						
Opening net book value	**171.0**	**115.9**	**149.7**	**-**	**1,038.2**	**1,474.8**
Acquisition of Westside Petroleum	-	-	-	-	6.0	6.0
Additions	155.4	6.8	-	-	3.2	165.4
Disposals	-	(7.4)	(1.5)	-	(8.2)	(17.1)
Depreciation	-	-	-	-	(140.2)	(140.2)
Change of ARO discount rate	-	-	-	-	4.5	4.5
Transfers*	(209.9)	3.5	8.3	-	182.8	(15.3)
As at 31 December 2020	**116.5**	**118.8**	**156.5**	**-**	**1,086.3**	**1,478.1**
Cost	116.5	118.8	213.8	-	1,671.6	2,120.7
Accumulated Depreciation	-	-	(57.3)	-	(585.3)	(642.6)
Balance as above	**116.5**	**118.8**	**156.5**	**-**	**1,086.3**	**1,478.1**
Assets held for sale	-	(2.7)		-	(0.2)	(2.9)
Property, plant and equipment	**116.5**	**116.1**	**156.5**	**-**	**1,086.1**	**1,475.2**

**Net transfers of $15.3 million in 2020 represents $4.5 million in software transferred out from construction in progress to intangibles and assets under lease transferred to Right of Use assets.*

Property, plant and equipment additions during the year includes $92.3 million in major maintenance spend undertaken at the refinery (2019: $49.5 million).

All property, plant and equipment is stated at historical cost less depreciation, with the exception of construction in progress and freehold land which are not subject to depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation on assets is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

- Buildings 20 years
- Plant and equipment 4 to 15 years
- Supply and refining infrastructure 20 to 30 years
- Land Not depreciated

12. Property, plant and equipment (continued)

Minimum operating stock – significant estimate

Minimum operating stock which is the minimum level of inventories held in the entire supply chain and is necessary to operate supply and refining as a going concern, is treated as part of property, plant and equipment. It is valued at cost.

Assets held for sale

The Group has a number of in use property, plant and equipment assets that are classified as held for sale from continuing operations. These assets include retail, supply chain and aviation assets totalling $2.9 million (2019: $6.7 million) and meet the AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* classification requirements.

Refining assets

Globally suppressed oil prices and refinery margins, even prior to the outbreak of COVID-19, contributed to a challenging environment for the refinery, and in light of these conditions the Group has undertaken a full impairment assessment of the refinery's $386 million fixed assets carrying value as at 31 December 2020.

Key assumptions in the value-in-use calculation

Assumption	**Approach used to determining values**
Cash flow	Earnings before interest, tax, depreciation and amortisation, including Government support and adjusted for working capital movement expectations and capital spend projections, based on probability weighted forecast scenarios
Long term average growth rate	1%
Post-tax discount rate	8.2%

In testing for impairment, the recoverable amount of the refinery's assets was determined based on a value in use calculation with the key assumptions described below representing management's expectations of future trends within the industry of which the refinery operates, based on both external and internal data sources.

The cash flow projections used are based on probability weighted forecast scenarios covering a five-year period (2021 – 2025), and a post-tax discount rate of 8.2% percent. The refinery's cash flows beyond the five-year period are extrapolated using a 1 per cent growth rate. The critical estimates underpinning each of the scenarios used in the testing of the refinery's carrying value are estimations of intake, refining margins, foreign exchange rates, discount rates and the level of Government support expected on the back of recent Government policy announcements.

Each of the scenario forecasts take into account the impact of COVID-19, and reflect lower demand and a more subdued outlook on margin than included in previous year's forecasts. Intake forecasts take into account major maintenance schedules, with Crude Distillation Unit 4 scheduled for 2022 and the Residue Catalytic Cracking Unit in the first half of 2025, and reflect efficiencies expected to be achieved from prior period capital investment. Refining margin and foreign exchange forecasts have been sourced from external parties for the early years of the forecast period[1] and these align to forecasts included in the value in use calculation.

The scenarios include management's best estimate of cash flows in the form of Government support in line with recent announcements made in respect to Australia's fuel security, with key assumptions relating to the tenure of the support, with modelling including up to 10 years of support, and the payment mechanism, modelled to reflect a fixed one cent per litre of production payment.

[1] External forecasts cover a two year horizon

12. Property, plant and equipment (continued)

Refining assets (continued)

To ascertain the sensitivity of the recoverable amount to changes in key assumptions, management stress tested each assumption individually. The results of these stress tests are shown in the table below:

Assumption	Change in key assumption over the long term that would consume headroom
Intake (MBBLs)	Reduce by 0.53 MBBL pa
Long term refining margins (USD/ bbl)	Reduce by 14.6 cents
The exchange rate (USD / AUD)	Increase by AUD 0.85 cents
Post-tax discount rate	Increase by 1.6%
Government support (cents per litre)	Reduce by 0.23 cents
Government support (tenure)	Reduction in tenure from 10 years to six years

Based on the forecasting and value in use methodology and the key assumptions described above, management considers that the carrying value of the refinery's property, plant and equipment is recoverable through the assets' continued use however recognises that a reasonably possible change in any individual key assumption over the longer term could result in the need to record an impairment in a future period.

13. Leases

This note provides information on the Group leases accounted for under AASB16 *Leases*.

(a) Amounts recognised on the consolidated statement of financial position

	2020	2019
Right-of-use-assets	**$M**	**$M**
Retail sites	2,111.9	2,086.6
Supply & Distribution sites	173.6	202.2
Corporate Offices	35.6	38.5
Motor Vehicles	0.4	0.8
Total right-of-use assets	**2,321.5**	**2,328.1**

Additions and transfers to the right-of-use assets during the year, including the acquired Westside Petroleum leases of $76.5 million at acquisition date, were $209.6 million. These additions were offset by depreciation expense of $216.2 million.

	2020	2019
Lease liabilities	**$M**	**$M**
Current	135.9	128.0
Non-current	2,398.4	2,320.3
Total lease liabilities	**2,534.3**	**2,448.3**

13. Leases (continued)

(a) Amounts recognised on the consolidated statement of financial position (continued)

	2020	2019
Finance lease receivable	**$M**	**$M**
Current	1.1	-
Non-current	7.3	-
Total finance lease receivable	8.4	-

The Group's finance lease receivables were acquired as part of the Westside Petroleum acquisition. Note 29 *Business combinations* provides further details of the acquisition. Finance lease receivables are disclosed within Trade and other receivables in the consolidated statement of financial position.

(b) Amounts recognised on the consolidated statement of profit or loss

	2020	2019
	$M	**$M**
Depreciation charge of right-of-use assets		
Retail sites	181.1	163.3
Supply & Distribution sites	31.8	32.5
Corporate Offices	2.8	2.9
Motor Vehicles	0.5	0.4
Total depreciation charge for right-of-use assets	**216.2**	**199.1**
Interest expense (included within finance costs)	**171.0**	**162.5**
Expense relating to short-term leases, leases of low-value assets and variable lease related payments not included in leases above.	**11.8**	**19.4**

The total cash outflow for leases for the year amounted to $295.8 million (2019: $268.6 million).

(c) The Group's leasing activities and how they are accounted for

Group as a lessee

The Group leases various service station sites, office premises, vehicles, and storage and handling facilities. Rental contracts are typically made for fixed periods of 2 to 15 years but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of amounts assessed to be included as lease payments under AASB16 *Leases*.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

In line with accounting standard guidance, where leases have a fixed escalation rate, the fixed rate has been applied when accounting for the lease payments. No rate has been applied to leases that increase at the rate of the Consumer Price Index (CPI) or leases that have a variable escalation rate.

Right-of-use assets are measured at cost comprising the initial measurement of the lease liability and other components as required under AASB16 *Leases*.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise computer equipment and small office related items.

13. Leases (continued)

(c) The Group's leasing activities and how they are accounted for (continued)

Group as a lessee (continued)

Various extension and termination options are included in a number of leases across the Group. The Group has determined that the extension of the current Alliance with Coles Express to 2029 is an appropriate timeframe to base option renewals across the lease portfolio. Beyond this timeframe there is significant flexibility in terms of managing lease contracts. For the purposes of the requirements of AASB16 *Leases*, all lease extension periods that occur prior to February 2029 have been assumed to be exercised.

Group as a lessor

The Group has historically undertaken leasing activities as a lessor relating to Coles Express and Liberty service station sites and pipeline assets under non-cancellable operating leases expiring within 2 to 16 years, with varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

In relation to the Group's historical sublease and licencing arrangements, after consideration of the underlying contracts, it has been determined that the inflows under these arrangements fall within the scope of AASB15 *Revenue from contracts with customers*.

The acquisition of Westside Petroleum during the year has added to the Group a number of additional sublease arrangements. The lease arrangements are a combination of both finance leases in accordance with AASB16 *Leases* and sublease arrangements which fall within the scope AASB15 *Revenue from contracts with customers*. As at 31 December 2020, the acquired finance leases have raised a current finance lease receivable of $1.1 million and a non-current finance lease receivable of $7.3 million, which are included in the consolidated statement of financial position under trade an other receivables and long-term receivables respectively.

Future minimum income expected to be received in relation to non-cancellable sublease and licence agreements not classified as finance leases are as follows:

	2020	2019
	$M	$M
Within one year	174.4	147.8
After one year but not more than five years	597.5	527.0
More than five years	600.1	659.2
Total	**1,372.0**	**1,334.0**

The above amount of $1,372.0 million includes $37.7 million in future minimum sublease income expectations as a result of the Westside Petroleum Pty Ltd acquisition.

14. Long-term receivables

	2020	2019
	$M	$M
Receivables	9.3	6.4
Loans to equity-accounted investees	17.0	32.0
Lease Receivables (Note 13)	7.3	-
Total non-current receivables	**33.6**	**38.4**

15. Long-term payables

	2020	2019
	$M	$M
Coles Express long-term payable	94.3	91.9
Other long-term payables	-	1.3
Total non-current payables	**94.3**	**93.2**

The Coles Express long term payable represents the present value recognition of a payment due in the future to Coles Express in relation to the transfer of inventory at the time of the Alliance Agreement Amendments that took effect 1 March 2019.

16. Goodwill and other intangible assets

	Goodwill	Software	Customer contracts	Joint venture rights	Other	Total
	$M	**$M**	**$M**	**$M**	**$M**	**$M**
Net book value						
As at 1 January 2019	**223.1**	**49.5**	**20.0**	**139.9**	**-**	**432.5**
Acquisition of Liberty Wholesale	97.5	-	12.1	-	2.9	112.5
Additions	-	-	0.1	-	137.0	137.1
Transfers	-	3.4	-	-	-	3.4
Amortisation for the year	-	(4.8)	(4.7)	(7.6)	(11.4)	(28.5)
As at 31 December 2019	**320.6**	**48.1**	**27.5**	**132.3**	**128.5**	**657.0**
Cost	320.6	54.3	50.1	152.1	139.9	717.0
Accumulated amortisation	-	(6.2)	(22.6)	(19.8)	(11.4)	(60.0)
As at 31 December 2019	**320.6**	**48.1**	**27.5**	**132.3**	**128.5**	**657.0**
As at 1 January 2020	**320.6**	**48.1**	**27.5**	**132.3**	**128.5**	**657.0**
Acquisition of Westside Petroleum (Note 29)	19.2	0.1	-	-	-	19.3
Additions	-	1.1	-	-	-	1.1
Transfers	-	4.5	-	-	-	4.5
Adjustment on finalisation of Liberty business combination	(2.8)	-	-	-	-	(2.8)
Amortisation for the year	-	(5.9)	(4.9)	(7.6)	(14.0)	(32.4)
As at 31 December 2020	**337.0**	**47.9**	**22.6**	**124.7**	**114.5**	**646.7**
Cost	337.0	60.0	50.0	152.1	139.9	739.0
Accumulated amortisation	-	(12.1)	(27.4)	(27.4)	(25.4)	(92.3)
As at 31 December 2020	**337.0**	**47.9**	**22.6**	**124.7**	**114.5**	**646.7**

(a) Goodwill

Goodwill arises when the fair value of the consideration paid for a business acquisition exceeds the fair value of the identifiable assets and liabilities acquired. Where consideration is less than the fair value of acquired net assets, the difference is recognised immediately in the consolidated statement of profit and loss. Goodwill is not amortised and is measured at cost less any impairment losses. In accordance with Australian accounting standard requirements, goodwill is allocated to a Cash-Generating Unit (CGU) 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. A CGU level summary of the goodwill allocation is presented below.

	2020	2019
	$M	**$M**
Marketing and Supply	337.0	320.6
Refining	-	-
Total goodwill recognised	**337.0**	**320.6**

Goodwill represents other intangible assets that did not meet the criteria for recognition as separately identifiable assets. Goodwill allocated to the Marketing and Supply CGU relates to the acquisition of Shell Aviation in 2017 and Liberty Oil Holdings Pty Ltd in 2019, and the current year addition of $19.2 million as a result of the acquisition of Westside Petroleum (refer to Note 29 *Business combinations*).

Goodwill is tested for impairment annually based on a value-in-use calculation. The calculation uses pre-tax cash flow projections based on financial budgets approved by management with growth rates consistent with industry expectations.

16. Goodwill and other intangible assets (continued)

(c) Goodwill (continued)

Key assumptions in the value-in-use calculation

Assumption	Approach used to determining values
Cash flow	Earnings before interest, tax, depreciation and amortisation adjusted for working capital movement expectations and capital spend projections
Estimated long term average growth rate	2.5%
Post-tax discount rate	5.7%

The above key assumption values used in the goodwill assessment represent management's expectations of future trends within the industry of which the Marketing and Supply CGU operates, based on both external and internal data sources. The Group has considered and assessed reasonably possible changes in the key assumptions used and have not identified any instances that could cause the carrying amount of the Marketing and Supply CGU to exceed its recoverable amount.

There were no goodwill impairment losses recognised during the year ended 31 December 2020 (2019: nil).

(d) Other intangibles

The Group capitalises amounts paid for the acquisition of identifiable intangible assets, such as software, customer contracts and joint venture rights, where it is considered that they will provide benefit in future periods through revenue generation or reductions in costs. These assets, classified as finite life intangible assets, are carried in the consolidated statement of financial position at the fair value of consideration paid less accumulated amortisation and impairment losses.

Intangible assets with finite useful lives are amortised on a straight-line basis over their useful lives. Amortisation for the period is included within the depreciation and amortisation expenses in the statement of profit and loss. The estimated useful lives in the current and comparative periods are reflected by the following amortisation periods:

- Software 5 to 12 years
- Customer contracts 6 to 10 years
- Joint venture rights 20 years

(i) Software

Software primarily relates to the Group's enterprise platform, Oracle JDE which was implemented in 2018. The Group estimates the useful life of the software to be at least 12 years based on the expected technical obsolescence of such asset. This useful life profile aligns with the written commitment to provide premier support of the platform, underpinning the asset integrity of the system until at least December 2030, not including extended support option periods generally available. The actual useful life may be shorter or longer than 12 years, depending on technical innovations.

(ii) Customer contracts and joint venture rights

The customer contracts and joint venture rights were acquired as part of a business combination, namely, the Shell acquisition in 2014, the Shell Aviation acquisition in 2017 and the Liberty Oil Holdings Pty Limited acquisition in 2019. These intangible assets were recognised at their fair value at the date of acquisition and are subsequently amortised on a straight-line based on the timing of projected cash flows of the contracts over their estimated useful lives.

(iii) Other

On 27 February 2019, the Company announced the extension of the Alliance agreement with Coles Express through to 2029 under revised terms to create greater alignment between both parties and position the agreement for future growth. Under the revised terms, the Group paid Coles Express a one-off payment of $137.0 million to assume responsibility from 1 March 2019 for the provision of the fuel offering, including retail fuel pricing and marketing across the Alliance network. The Group has assessed the accounting treatment of this transaction under the reacquired rights guidance of the Australian Accounting Standards, and this has been recognised as an intangible asset to be amortised over the remaining life of the Alliance agreement.

17. Provisions

	Employee benefits	Restructuring Provision	Asset retirement obligation	Environ-mental remediation	Other	Total
	$M	$M	$M	$M	$M	$M
At 1 January 2020	**73.8**	**0.9**	**94.4**	**40.1**	**14.3**	**223.5**
Additions / (write-back)	28.6	2.0	0.6	6.1	-	37.3
Provisions acquired	0.3	0.2	0.2	-	0.1	0.8
Utilised	(31.2)	(2.3)	(1.9)	(6.9)	(1.7)	(44.0)
Unwinding	1.2	-	1.9	0.5	-	3.6
Change of discount	-	-	4.5	0.3	-	4.8
At 31 December 2020	**72.7**	**0.8**	**99.7**	**40.1**	**12.7**	**226.0**
Current	70.5	0.8	7.3	33.3	10.1	122.0
Non-current	2.2	-	92.4	6.8	2.6	104.0

	Employee benefits	Restructuring Provision	Asset retirement obligation	Environ-mental remediation	Other	Total
	$M	$M	$M	$M	$M	$M
At 1 January 2019	**73.4**	**2.5**	**90.7**	**41.0**	**89.7**	**297.3**
Additions / (write-back)	30.7	3.5	(9.5)	7.5	(69.7)	(37.5)
Provisions acquired	3.8	-	8.7	-	-	12.5
Utilised	(35.8)	(5.1)	(1.4)	(9.9)	(5.6)	(57.8)
Unwinding	1.7	-	5.9	1.5	(0.1)	9.0
Change of discount	-	-	-	-	-	-
At 31 December 2019	**73.8**	**0.9**	**94.4**	**40.1**	**14.3**	**223.5**
Current	71.9	0.9	9.1	34.1	11.8	127.8
Non-current	1.9	-	85.3	6.0	2.5	95.7

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(a) Employee benefits

Liabilities for wages and salaries, including annual leave and long service leave expected to be settled within 12 months of the end of the year, are measured at the amounts expected to be paid. These obligations are presented as current liabilities in the consolidated statement of financial position

Liabilities for long service leave and annual leave that are not expected to be settled within 12 months of the end of the year are measured at present value. In determining present value, consideration is given to the expected future wage and salary levels, expectations of employee departures and periods of service. Expected future payments are adjusted for future wage and inflation movement expectations, and discounted using market yields of corporate bonds. As required by accounting standards, these obligations are presented as current liabilities in the consolidated statement of financial position if the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period, regardless of when the actual settlement is expected to occur. However, based on past experience, the Group does not expect the full $71.9 million current employee benefits liability to be taken or paid out within the next 12 months. The following amounts reflect current leave obligations that are not expected to be taken or paid in the next 12 months.

17. Provisions (continued)

(a) Employee benefits (continued)

	2020	2019
	$M	**$M**
Current Employee benefits liability expected to settle after 12 month	51.5	49.9

(b) Asset retirement obligation – significant estimate

The present value of costs for the future dismantling and removal of assets, and restoration of the site on which the assets are located, is capitalised and depreciated over the useful life of the asset. Subsequent accretion to the amount of a provision due to unwinding of discounting is recognised as a finance cost.

The costs for the future dismantling and removal of assets is based upon management's best estimate using actual costs incurred in similar past projects inflated to the estimated end of useful life date and discounted using an appropriate discount rate.

The Group has recognised a provision associated with plant and equipment including tanks at retail service station sites and fuel storage terminals. In determining the provision, assumptions and estimates are made in relation to discount rates, the expected cost to dismantle and remove the assets from the site and the expected timing of those costs. The carrying amount of the provision as at 31 December 2020 was $99.7 million (2019: $94.4 million). The Group estimates that the costs would be incurred upon lease expiry and subsequent exit of the relevant site.

As disclosed in note 13 *Leases*, the Group's rental contracts are typically for 2 to 15 years but may have extension options.

(c) Environmental provision – significant estimate

Provisions for environmental remediation resulting from ongoing or past operations or events are recognised in the period in which an obligation, legal or constructive, to a third party arises and the amount can be reasonably measured. Measurement of liabilities is based on current legal requirements and existing technology.

Where environmental impact studies have been completed, the result of this is used to estimate cost. In other cases, estimates are based on management experience of remediation at similar sites. The environmental remediation work provided for is expected to be undertaken within the next three years.

(d) Other provisions

Other provisions include costs associated with the removal of contents and cleaning of tanks in preparation for demolition, and provisions against legal claims. In 2019, the movement through other provisions included an adjustment of $66.4 million relating to the adoption of AASB 16 *Leases*.

18. Commitments and contingencies

(a) Capital commitments

At 31 December 2020, the Group had capital expenditure contracted at the reporting date but not recognised as liabilities related to property, plant and equipment totalling $25.0 million (2019: $44.0 million). There are no capital commitments from associate companies at the end of the period, therefore the included amount from associates in the Group's overall amount is nil (2019: $13.9 million).

(b) Guarantees

As at 31 December 2020, guarantees amounting to $48.2 million (2019: $55.7 million) have been given in respect of the Group's share of workers compensation, surety for major contracts and other matters including government works.

Under the terms of the Deed of Cross Guarantee entered in accordance with ASIC Instrument 2016/785, each Australian Group entity guarantees to each creditor payment in full of any debt in accordance with the Deed. Parties to the deed are identified in Note 32 *Deed of cross guarantee*. No liabilities have been recognised in the consolidated statement of financial position in respect of financial guarantee contracts.

(c) Contingencies and other disclosures

Stamp duty – Viva Energy REIT

On 24 September 2018, Viva Energy REIT (now called Waypoint REIT) received an assessment from the Victorian State Revenue Office ('SRO') for $31.2 million. The assessment relates to the transfer of properties prior to the completion of the Viva Energy REIT IPO in August 2016. Pursuant to the arrangements between Viva Energy REIT and the Group at the time, which were disclosed in the Prospectus, any such costs are payable by the Group.

The Group lodged an objection to the assessment on 2 November 2018 considering that there was a strong prospect of having the assessment set aside. The SRO advised in a letter dated 22 November 2018 that it will not take recovery action while the objection and any appeal process is continuing.

On 12 May 2020 the Group received a determination from the SRO disallowing the objection. It was concluded that there was no new analysis raised in the determination that altered the position previously taken by the Group and, as a result, the Group advised the SRO that it was appealing the matter. The SRO referred the matter to the Supreme Court on 30 July 2020 and a directions hearing will be held by the Court on 19 March 2021 which will direct next steps in resolution of the matter.

Under an agreement with the SRO pending resolution of the matter, $7.5 million (representing approximately 25% of the duty assessed) was paid to the SRO on 27 November 2020. In line with the view that there is a strong prospect of having the assessment set aside, the $7.5 million is recognised as a prepayment.

Management continues to consider it not probable that the Group has a present obligation in relation to the assessment as at 31 December 2020, and as a result have not recorded a provision in the statement of financial position. As at 31 December 2020, the Group has contingent liabilities of $50.6 million (2019: $40.5 million) which includes the above stamp duty amount of $31.2 million.

Capital funding and financial risk management

For the purpose of the Group's capital management, capital includes issued capital and all other equity reserves. The primary objective of the Group's capital management is to maximise the shareholder value.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Under the terms of the major borrowing facilities, the Group is required to comply with the following financial covenants:

- the interest cover ratio must not be less than 3.0x;
- the liquidity ratio must not exceed 0.60; and
- the leverage ratio must not be more than 2.0x.

Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches of the financial covenants of any interest-bearing loans and borrowing in the current period.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2020 and 2019.

19. Financial assets and liabilities

This table provides a summary of the Group's financial instruments, how they are classified and measured, and reference to relevant disclosure notes within the financial statements.

The Group holds the following financial instruments at the end of the reporting period:

	Notes	2020	2019
Financial assets		**$M**	**$M**
Financial assets held at amortised cost			
Trade and other receivables	8	794.1	1,247.8
Long-term receivables	14	33.6	38.4
Cash and cash equivalents	6	49.1	127.2
Financial assets at fair value through profit and loss			
Derivative assets	20	-	0.2
		876.8	**1,413.6**
Financial liabilities			
Financial liabilities held at amortised cost			
Trade and other payables	10	1,329.6	2,165.5
Short-term borrowings	11	-	7.7
Long-term borrowings	21	153.3	256.9
Lease liabilities	13, 22	2,534.3	2,448.3
Long term payables	15	94.3	93.2
Financial liabilities at fair value through profit and loss			
Derivative liabilities	20	19.4	19.0
		4,130.9	**4,990.6**

19. Financial assets and liabilities (continued)

Financial assets

(a) Initial recognition and subsequent measurement

The Group classifies its financial assets in the following measurement categories:

- Those to be measured at amortised cost; and
- Those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss).

The classification of financial assets at initial recognition depends on the financial assets contractual cash flow characteristics and business model the Group uses to manage them. At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the consolidated statement of profit or loss.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income (OCI), it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

Subsequent measurement of financial assets depends on the Group's business model for managing the asset and its associated cash flow characteristics. The Group's three measurement categories are as follows:

(i) Amortised cost

This category is the most relevant to the Group. Financial assets are measured at amortised cost if the asset is held within a business model to collect contractual cash flows where those cash flows represent solely payments of principal and interest. Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Group's financial assets at amortised cost include trade and other receivables, long term receivables and cash and cash equivalents.

(ii) Fair value through other comprehensive income (FVOCI)

The Group measures financial assets at FVOCI if the financial asset is held within a business model to collect contractual cash flows and for selling the financial assets, where those cash flows represent solely payments of principal and interest. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains and losses, interest income and foreign exchange gains and losses, which are recognised in the consolidated statement of profit or loss. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss. The Group currently holds no financial assets measured at FVOCI.

(iii) Fair value through profit and loss (FVPL)

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL and include financial assets held for trading, financial assets designated upon initial recognition at FVPL, or financial assets required to be measured at fair value. Financial assets at FVPL are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss. During the year, derivative assets were the only assets measured at FVPL.

(b) Derecognition

A financial asset is derecognised from the Group's consolidated statement of financial position when the rights to receive cash flows from the asset have expired, or the Group has transferred its rights to receive cash flows from the asset and, has transferred substantially all the risks and rewards of the asset and/or control of the asset.

(c) Impairment of financial assets

The Group assesses on a forward-looking basis the expected credit losses associated with its financial assets carried at amortised cost and FVOCI. The impairment methodology applied depends on the determined risk profile of each financial asset and the future expected credit risks relating to the identified asset. For trade receivables, the Group applies a simplified approach to calculating expected credit losses as permitted by AASB 9 *Financial instruments*, recognising a loss allowance based on lifetime expected credit losses at each reporting date. The Group has established a provision matrix that is based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. See Note 8 *Trade and other receivables* for further details.

19. Financial assets and liabilities (continued)

Financial Liabilities

(a) Initial recognition and subsequent measurement

Financial liabilities are classified, at initial recognition, as financial liabilities measured at amortised cost (which for the Group are Trade and other payables, long term payables, lease liabilities and borrowings) or as financial liabilities at FVPL. All financial liabilities are recognised initially at fair value and, in the case of payables and borrowings, net of directly attributable transaction costs. The subsequent measurement of financial liabilities depends on their classification, as described below:

(i) Amortised cost

This is the category most relevant to the Group and includes trade and other payables, lease liabilities, borrowings and long term payables. Trade payables and amounts due to related parties are non-interest-bearing and are normally settled in 30 to 60 days. Amounts due to related parties are primarily for purchases of hydrocarbon. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the end of the reporting period. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Due to their short-term nature, the carrying amounts of trade and other payables are considered to be the same as their fair values. Trade and other payables, lease liabilities, borrowings and long term payables are initially recognised at fair value net of transaction costs incurred, and subsequently measured at amortised cost. Any differences between the proceeds (net of transaction costs) and the redemption amount is recognised in the statement of profit or loss over the period of the liabilities using the effective interest method.

(ii) Fair value through profit and loss (FVPL)

Derivatives are the Group's only financial liabilities that are measured at FVPL. They are classified as held for trading and are entered into by the Group to mitigate exposure to the effects of changes in foreign exchange and commodity price movements. Changes in fair value of any derivative liabilities are recognised immediately in realised/unrealised (loss)/gain on derivatives in the consolidated statement of profit or loss.

(b) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

20. Derivative assets and liabilities

Derivatives are classified as held for trading and accounted for at fair value through profit or loss. The Group has the following derivative financial instruments at the end of the reporting period:

	2020	2019
	$M	$M
Derivative assets	-	0.2
Derivative liabilities	(19.4)	(19.0)

The Group has determined the fair value, which is classified as Level 2 in the fair value hierarchy, using the present value of estimated future settlements based on market quoted information.

Gains or losses arising from changes in the fair value of financial assets at fair value through profit or loss category are presented in the consolidated statement of profit or loss within other income or other expenses in the period in which they arise. Interest income from these financial assets are recognised in the consolidated statement of profit or loss.

21. Long-term borrowings

	2020	2019
	$M	$M
Long-term bank loans	155.0	260.0
Net capitalised borrowing costs on long-term bank loans	(1.7)	(3.1)
Total non-current borrowings	**153.3**	**256.9**

The Group currently has a US$700 million syndicated revolving credit facility, expiring on 28 March 2022 with a 1-year extension option. The facility is unsecured with terms and conditions consistent with the previous period.

At the end of the reporting period, the Group had access to the unsecured facility limit amounting to $908.9 million (2019: $999.1 million unsecured) that was in place primarily for working capital purposes. The amount drawn at 31 December 2020 is $155.0 million (2019: $260.0 million). The weighted average interest rate on long-term bank loans in 2020 was 1.47% (2019: 2.29%).

This borrowing facility is subject to covenant arrangements disclosed under Capital funding and financial risk management on page 86.

22. Consolidated net debt

	2020	2019
	$M	$M
Net debt		
Cash and cash equivalents	49.1	127.2
Borrowings – repayable within one year	-	(7.7)
Borrowings – repayable after one year	(153.3)	(256.9)
Net debt excluding lease liabilities	**(104.2)**	**(137.4)**
Lease liabilities – repayable within one year	(135.9)	(128.0)
Lease liabilities – repayable after one year	(2,398.4)	(2,320.3)
Net debt including lease liabilities	**(2,638.5)**	**(2,585.7)**

	Other assets	**Liabilities from financing activities**				
Analysis of changes in consolidated net debt	**Cash / overdrafts**	**Leases due within 1 year**	**Leases due after 1 year**	**Borrowings due within 1 year**	**Borrowings due after 1 year**	**Total**
	$M	**$M**	**$M**	**$M**	**$M**	**$M**
Net debt as at 1 January 2019	**108.6**	**(7.2)**	**(43.6)**	**-**	**(108.4)**	**(50.6)**
Recognised on adoption of AASB16 *Leases* (see Note 13)	-	(105.8)	(2,278.9)	-	-	(2,384.7)
Cash flows	18.6	106.2	-	(7.7)	(147.1)	(30.0)
Other non-cash movements	-	(121.2)	2.2	-	(1.4)	(120.4)
Net debt as at 31 December 2019	**127.2**	**(128.0)**	**(2,320.3)**	**(7.7)**	**(256.9)**	**(2,585.7)**
Balances acquired on acquisition (see Note 29)	**(1.0)**	**(3.7)**	**(81.6)**	**(2.2)**	**-**	**(88.5)**
Cash flows	(77.1)	124.8	-	9.9	105.0	162.6
Other non-cash movements		(129.0)	3.5	-	(1.4)	(126.9)
Net debt as at 31 December 2020	**49.1**	**(135.9)**	**(2,398.4)**	**-**	**(153.3)**	**(2,638.5)**

23. Contributed equity and reserves

(a) Contributed Equity

Ordinary shares are classified as equity. These shares entitle the holder to participate in dividends, and to share in the proceeds of winding up the Group in proportion to the number of and amounts paid on the shares held.

	2020	2019
	$M	$M
Issued and paid up capital	4,373.9	4,861.3
Cost per share	$2.720	$2.500

Movements in ordinary share capital	**Shares**	**$M**
At 1 January 2019	1,944,535,168	4,861.3
At 31 December 2019	**1,944,535,168**	**4,861.3**
At 1 January 2020	1,944,535,168	4,861.3
Buy back of shares, net of tax	(27,397,847)	(72.3)
Capital return to shareholders	-	(415.1)
Share consolidation	(309,498,674)	-
At 31 December 2020	**1,607,638,647**	**4,373.9**

Share buy-back

During the period the Company purchased, and subsequently cancelled, 27,397,847 ordinary shares on market as part of the Company's buy-back program announced in February 2020. The cancellation of the shares has been treated as a reduction in share capital ($72.3 million as per above table), with the difference between the par value of the purchased shares and the buy-back price being recorded against the Company's Capital redemption reserve ($22.0 million). The total value of the share buy-back during the period was $50.3 million.

Share consolidation

Following the divestment of the investment in Waypoint REIT on 21 February 2020, the Group's capital management initiatives included a capital return to shareholders of $415.1 million and a special dividend of $114.9 million. A share consolidation was then undertaken commensurate with the overall return to shareholders, reducing the number of ordinary shares by 309,498,674.

(b) Treasury shares

Treasury shares are shares in Viva Energy Group Limited that are held by the Viva Energy Employee Share Plan Trust for the purpose of issuing shares under various share-based incentives plans. Shares issued to employees are recognised on the first-in-first-out basis.

Movements in treasury shares	**Shares**	**$M**
At 1 January 2019	35,694	0.1
Acquisition of treasury shares (average price: $2.23 per share)	15,142,432	34.1
Transfer of shares to employees – options exercised	(7,882,734)	(20.0)
Transfer of shares to employees – employee share plan	(13,861)	-
At 31 December 2019	**7,281,531**	**14.2**
At 1 January 2020	**7,281,531**	**14.2**
Acquisition of treasury shares (average price: $1.43 per share)	6,545,012	9.3
Transfer of shares to employees – options exercised	(7,113,691)	(14.2)
Transfer of shares to employees – employee share plan	(1,013,192)	(1.5)
Capital return to shareholders	-	(1.0)
Share consolidation	(792,000)	-
At 31 December 2020	**4,907,660**	**6.8**

23. Contributed equity and reserves (continued)

(c) Reserves

The following table shows a breakdown of the reserve balances and the movements in these reserves during the year.

	Post employment benefits reserve	Share Based Payment reserve	IPO reserve	Cash flow hedge reserve	Capital Redemption Reserve	Total
	$M	$M	$M	$M	$M	$M
At 1 January 2019	7.3	3.1	(4,235.2)	(1.6)	-	(4,226.4)
Share-based payment expenses	-	2.3	-	-	-	2.3
Contributions from employees	-	7.5	-	-	-	7.5
Issue of shares to employees	-	(20.0)	-	-	-	(20.0)
Movement in IPO reserve	-	-	(3.5)	-	-	(3.5)
Remeasurement of retirement benefit obligations	(1.7)	-	-	-	-	(1.7)
Unrealised (losses)/gains on cash flow hedges recognised by Viva Energy REIT	-	-	-	(4.7)	-	(4.7)
At 31 December 2019	**5.6**	**(7.1)**	**(4,238.7)**	**(6.3)**	**-**	**(4,246.5)**
						-
Share-based payment expenses, net of tax	-	11.0	-	-	-	11.0
Contributions from employees	-	6.5	-	-	-	6.5
Issue of shares to employees	-	(14.2)	-	-	-	(14.2)
Movement in IPO reserve	-	-	1.0	-	-	1.0
Remeasurement of retirement benefit obligations	(2.4)	-	-	-	-	(2.4)
Other comprehensive income recycled on sale of investment	-	-	-	6.3	-	6.3
Share buy-back	-	-	-	-	22.0	22.0
Capital Return	-	-	-	-	(0.3)	(0.3)
At 31 December 2020	**3.2**	**(3.8)**	**(4,237.7)**	**-**	**21.7**	**(4,216.6)**

Capital Redemption Reserve

Shares purchased under the buy-back program result in a reduction in equity, with the impact to the Capital Redemption Reserve being the difference between the total amounts paid to buy back each share and the initial cost per share of $2.50. In line with accounting standard requirements, the costs associated with the share buy-back program such as broker commission and legal fees, are also captured in the Capital redemption reserve.

24. Dividends declared and paid

	2020	2019
Dividends determined and paid during the year	**$M**	**$M**
Fully franked dividend relating to the prior period	50.6	93.3
Interim fully franked dividend	15.5	40.9
Special dividend	114.9	-
Dividends determined and paid during the year	**181.0**	**134.2**

The Company paid a dividend of $50.6 million – 2.6 cents per share to shareholders on 15 April 2020 (2019 $93.3 million – 4.8 cents per share). This fully franked dividend was in relation to the six month period ended 31 December 2019.
In addition, the Company paid an interim dividend of $15.5 million - 0.8 cents per fully paid ordinary share (2019 – 2.1 cents). This fully franked dividend was in relation to the six month period ended 30 June 2020.

On 13 October 2020, the Company returned $530.0 million to shareholders at $0.2740 per share. The return comprised a capital return of $415.1 million, at $0.2146 per share and an unfranked special dividend of $114.9 million, at $0.0594 per share as determined by the Board.

Included in the $181.0 million of dividends determined and paid during the year was $0.5 million in dividends relating to treasury shares on hand during the year. The net impact of the total dividends on retained earnings amounted to $180.5 million.

No final dividend will be paid in relation to the year ended 31 December 2020.

Dividend franking account

The balance of the franking account of the Australian consolidated tax group, headed by Viva Energy Group Limited, is $0.9 million at 31 December 2020 (2019: $44.8 million) based on a tax rate of 30%.

25. 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.

25. Fair value of financial assets and liabilities (continued)

(a) Fair value measurement hierarchy for the Group

	Quoted in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	$M	$M	$M
31 December 2020			
Derivative assets	-	-	-
Derivative liabilities	-	(19.4)	-
Total at 31 December 2020	**-**	**(19.4)**	**-**
31 December 2019			
Derivative assets	-	0.2	-
Derivative liabilities	-	(19.0)	-
Total at 31 December 2019	**-**	**(18.8)**	**-**

There were no transfers between levels during the 2020 and 2019 years.

(b) Estimation of fair values

Derivative assets and liabilities

The Group enters into derivative financial instruments with financial institutions with investment grade credit ratings. Foreign exchange forward contracts and commodity forward contracts are valued using valuation techniques, which employ the use of market observable inputs. As at 31 December 2020, the marked-to-market value of derivative asset positions is net of a credit valuation adjustment attributable to derivative counterparty default risk.

26. Financial risk management

The Group's principal financial liabilities, other than derivatives, comprise current and non-current borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include loans, trade and other receivables, and cash and cash equivalents that were derived directly from its operations. The Group also holds financial assets and enters into derivative transactions.

Exposure to foreign currency risk, interest rate risk, liquidity risk, commodity price risk and credit risk arises in the normal course of the Group's business. The Group's overall financial risk management strategy is to seek to ensure that the Group is able to fund its corporate objectives and meet its obligations to stakeholders. Derivative financial instruments may be used to hedge exposure to fluctuations, especially movements in foreign exchange rates.

Financial risk management is carried out by Group Treasury while risk management activities in respect to customer credit risk are carried out by the Finance and Credit teams. The Group Treasury, Finance and Credit teams operate under policies approved by the Board. The teams identify, evaluate and monitor the financial risks in close co-operation with the Group's operating units.

(a) Foreign exchange risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group is exposed to movements in foreign exchange rates in the normal course of its business primarily due to the fact that it purchases product and crude in United States Dollars ('USD') and sells in Australian Dollars ('AUD'). Any specific foreign exchange exposure that relates to borrowings is managed separately and subject to separate Board approvals.

The objective of the Group's foreign exchange program is to minimise the effect of a fluctuation in foreign exchange rates on Group earnings and its cash flows. Transactions which could be regarded as speculative are not permitted. The program of foreign exchange risk management identifies, measures, takes actions to mitigate this risk, and reports the performance of the program, in a controlled and non-speculative manner. The focus is on cash flow exposures rather than just profit and loss.

26. Financial risk management (continued)

(a) Foreign exchange risk (continued)

The Group manages foreign currency risk by using foreign currency forward contracts to offset foreign exchange exposures. At 31 December 2020 and 2019, the Group hedged 100% of its net USD payables and this is actively managed on a daily basis through a hedge program. As at 31 December 2020, the total fair value of all outstanding foreign currency exchange forwards amounted to a $19.4 million net liability (2019: $18.8 million net liability).

The Group's exposure to foreign exchange rates for classes of financial assets and liabilities including sensitivities to pre-tax profit of the Group if the AUD strengthened / weakened by 10% against the USD with all other variables held constant, are set out below. The foreign exchange program outlined is undertaken to mitigate this risk.

	2020	2019
	$M	$M
USD denominated trade receivables (in AUD)	122.3	138.6
USD denominated trade payables (in AUD)	(1,070.5)	(1,661.6)
Net exposure	**(948.2)**	**(1,523.0)**
Effect in pre-tax profit		
AUD strengthens against USD by 10%	94.8	152.3
AUD weakens against USD by 10%	(94.8)	(152.3)

The Group has minimal exposure to other currencies (Euro, British Pound, Singapore Dollar and Papua New Guinea kina) with total payable balances denominated in other currencies of $0.8 million at 31 December 2020 (2019: $0.7 million).

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's syndicated bank loan with floating interest rates.

The Group's exposure to interest rate risk for classes of financial assets and liabilities including sensitivities to pre-tax profit of the Group if interest rates had changed by -/+1% from the year end rates, with all other variables held constant, are set out as follows:

	2020	2019
	$M	$M
Financial assets		
Cash and cash equivalents	49.1	127.2
Loan to related party	30.7	38.9
Total financial assets	**79.8**	**166.1**
Financial liabilities		
Short-term bank loans	-	7.7
Long-term bank loans	153.3	256.9
Total financial liabilities	**153.3**	**264.6**
Net exposure	**(73.5)**	**(98.5)**
Interest rates increase by 1%	(0.7)	(1.0)
Interest rates decrease by 1%	0.7	1.0

26. Financial risk management (continued)

(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Due to the dynamic nature of the underlying business, the liquidity risk policy requires maintaining sufficient cash and an adequate amount of committed credit facilities to be held above the forecast requirements of the business.

The Group manages liquidity risk centrally by monitoring cash flow forecasts, maintaining adequate cash on hand and debt facilities. The debt portfolio is periodically reviewed to ensure there is funding flexibility across an appropriate maturity profile. The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

	No more than 1 year	More than 1 year but no more than 5 years	More than 5 years	Total
	$M	$M	$M	$M
31 December 2020				
Trade and other payables	1,329.6	-	-	1,329.6
Short-term bank loans	-	-	-	-
Long term payables	-	-	114.2	114.2
Long-term bank loans	-	155.0	-	155.0
Derivative liabilities	19.4	-	-	19.4
Lease liabilities	302.9	1,230.0	2,327.7	3,860.6
Total at 31 December 2020	**1,651.9**	**1,385.0**	**2,441.9**	**5,478.8**
31 December 2019				
Trade and other payables	2,165.5	-	-	2,165.5
Short-term bank loans	7.7	-	-	7.7
Long term payables	-	1.4	114.2	115.6
Long-term bank loans	-	260.0	-	260.0
Derivative liabilities	19.0	-	-	19.0
Lease liabilities	284.2	1,136.5	2,403.2	3,823.9
Total at 31 December 2019	**2,476.4**	**1,397.9**	**2,517.4**	**6,391.7**

The financial liabilities due within the next 12 month period amount to $1,651.9 million (2019: $2,476.4 million). The Group has current assets of $1,593.5 million (2019: $2,629.6 million) and a net current liability position of $13.4 million (2019: $181.6 million net current asset position). The Group has access to undrawn credit facilities of $753.9 million, in place primarily for working capital purposes, and is in a position to meet its financial liability obligations as and when they fall due.

(d) Commodity price risk

The Group is exposed to the effect of changes in commodity price (i.e. oil and refined product prices) in its normal course of business.

The objective of the Group's commodity price strategy is to reduce earnings volatility as a result of movements in oil and refined product prices. The Group achieves this by:

- Monitoring hydrocarbon volumes priced in and out on a monthly basis and hedging up to 100% of the net exposure; and
- Monitoring expected refining margins and hedging constituent components to protect refining income, hedging up to 100% of net refinery exposure.

The Group manages commodity price exposure through the purchase or sale of swap contracts up to 36 months forward. No commodity price hedges were outstanding at 31 December 2020 and 2019.

26. Financial risk management (continued)

(d) Commodity price risk (continued)

Commodity price sensitivity analysis

The Group's exposure to commodity prices risk including sensitivities to pre-tax profit if commodity prices had changed by -/+10% from the year end prices, with all other variables held constant, are set out as follows:

	2020	2019
	$M	$M
Commodity prices decrease by 10%	3.7	4.5
Commodity prices increase by 10%	(3.4)	(4.1)

(e) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions and other financial instruments.

Customer credit risk

The Group manages credit risk and the losses which could arise from default by ensuring that parties to contractual arrangements are of an appropriate credit rating, or do not show a history of defaults.

The Group applies the AASB 9 *Financial instruments* simplified approach to measuring trade receivable expected credit losses which uses a lifetime expected loss allowance for expected credit losses for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over past periods using historical data and also using forward looking projections of customer payment expectations. Trade receivables are often insured for events of non-payment, through third party insurance, which has also been factored into the expected loss rate calculations. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity.

The aging profile of the receivable balance and expected credit loss rates are detailed in Note 8 *Trade and other receivables*.

Financial institution credit risk

Financial assets such as cash at bank and forward contracts are held with high credit quality financial institutions.

Maximum exposure to credit risk

The Group's maximum credit risk exposure at balance date in relation to each class of recognised financial assets, other than equity and derivative financial instruments, is the carrying amount of those assets as indicated in the consolidated statement of financial position.

Taxation

27. Income tax and deferred tax

(a) Reconciliation of income tax expense at Australian standard tax rate to actual income tax expense

	2020	2019
	$M	**$M**
Accounting (loss)/profit before income tax expense	**(186.5)**	**158.2**
Tax at the Australian tax rate of 30%	56.0	(47.5)
Non-deductible transaction costs	(4.4)	(4.9)
Research and development expenditure	(0.2)	(0.3)
Sundry items	0.7	(1.1)
Adjustment relating to prior periods	0.6	8.2
Reversal of deferred tax liability on sale of REIT	112.3	-
Capital Gains adjustment on sale of REIT	(12.7)	-
Non-refundable carry forward tax offsets	0.2	0.7
Step acquisition of Westside Petroleum	(2.2)	-
Income tax (expense)/benefit for the period	**150.3**	**(44.9)**

***(b)* Income tax benefit/(expense)**

	2020	2019
	$M	**$M**
Current tax benefit/(expense)	2.2	(68.6)
Deferred tax (expense)/benefit	160.2	15.5
Capital Gains adjustment on sale of REIT	(12.7)	-
Adjustment relating to prior periods	0.6	8.2
Income tax benefit/(expense) reported in the consolidated statement of profit or loss	**150.3**	**(44.9)**
Deferred income tax benefit included in income tax benefit/(expense) comprises:		
Increase in deferred tax assets	54.8	738.8
Decrease/(increase) in deferred tax liabilities	105.4	(723.3)
Adjustment in deferred tax relating to prior periods	2.4	17.1
	162.6	**32.6**
Tax relating to items recognised in other comprehensive income or directly in equity rather than through the statement of profit or loss		
Deferred tax related to items recognised in other comprehensive income during the period:		
Remeasurement of defined benefit obligations	1.1	(0.7)
Unrealised losses on cash flow hedges recognised by Viva Energy REIT	-	2.0
Deferred tax related to items recognised directly to equity during the period:		
Transaction costs recognised in equity	(3.9)	(4.5)
	159.8	**29.4**

Total tax benefit associated with the sale for the Viva Energy REIT investment is $65.4 million being: tax expense of $34.2 million (30% tax on accounting profit) plus $12.7 million capital gains tax adjustment, offset by the reversal of the associated deferred tax liability of $112.3 million.

27. Income tax and deferred tax (continued)

(c) Deferred tax

	2020	2019
	$M	$M
Deferred tax assets		
The balance comprises combined temporary differences attributable to:		
Property, plant and equipment	100.6	123.0
Lease liabilities	760.3	722.4
Inventories	81.0	108.4
Asset retirement obligation	27.7	28.4
Employee benefits	24.0	22.4
Derivative contracts	3.3	0.4
Tax losses carried forward	70.8	-
Other	7.5	15.8
Total deferred tax assets	**1,075.2**	**1,020.8**
Deferred tax liabilities		
The balance comprises combined temporary differences attributable to:		
Right-of-use assets	(699.0)	(690.5)
Intangible assets	(52.3)	(53.5)
Financial assets and investments	1.9	(110.8)
Total deferred tax liabilities	**(749.4)**	**(854.8)**
Net deferred tax assets	**325.8**	**166.0**
Net deferred tax balances expected to be realised within 12 months	66.3	38.6
Net deferred tax balances expected to be realised after more than 12 months	259.5	127.4
	325.8	**166.0**

(d) Movements in deferred tax assets

	Property, Plant and Equipment	Lease liabilities	Inventories	Asset retirement obligations	Employee benefits	Derivative contracts	Other	Total
2019 movements	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**
Balance at 1 January 2019	**128.9**	**-**	**66.6**	**27.0**	**20.3**	**(2.5)**	**43.9**	**284.2**
(Charged)/credited:								
Acquired in business combination	0.3	-	-	2.6	1.2	-	1.5	5.6
Initial recognition of AASB 16 *Leases*	-	749.7	-	-	-	-	(4.9)	744.8
To profit or loss	(6.2)	(27.3)	41.8	(1.2)	1.6	2.9	(20.1)	(8.5)
Directly to equity	-	-	-	-	-	-	(4.6)	(4.6)
Other comprehensive income	-	-	-	-	(0.7)	-	-	(0.7)
Balance at 31 December 2019	**123.0**	**722.4**	**108.4**	**28.4**	**22.4**	**0.4**	**15.8**	**1,020.8**

	Property, Plant and Equipment	Lease liabilities	Inventories	Asset retirement obligations	Employee benefits	Derivative contracts	Tax losses carried forward	Other	Total
2020 movements	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**
Balance at 1 January 2020	**123.0**	**722.4**	**108.4**	**28.4**	**22.4**	**0.4**	**-**	**15.8**	**1,020.8**
(Charged)/credited:									
Acquired in business combination	-	25.5	-	0.1	0.1	-	-	0.2	25.9
To profit or loss	(22.4)	12.4	(27.4)	(0.8)	0.4	2.9	-	(4.6)	(39.5)
Directly to equity	-	-	-	-	-	-	-	(3.9)	(3.9)
Other comprehensive income	-	-	-	-	1.1	-	-	-	1.1
Current year tax loss and carried forward tax credits/offsets	-	-	-	-	-	-	70.8	-	70.8
Balance at 31 December 2020	**100.6**	**760.3**	**81.0**	**27.7**	**24.0**	**3.3**	**70.8**	**7.5**	**1,075.2**

27. Income tax and deferred tax (continued)

(e) Movements in deferred tax liabilities

2019 movements	Right-of-use assets	Intangible assets	Financial assets and investments	Total
	$M	**$M**	**$M**	**$M**
Balance at 1 January 2019	-	(50.0)	(97.6)	(147.6)
(Charged)/credited:				
Acquired in business combination	-	(4.5)	-	(4.5)
Initial recognition of AASB 16 *Leases*	(744.8)	-	-	(744.8)
To profit and loss	54.3	1.0	(15.2)	40.1
Other comprehensive income	-	-	2.0	2.0
Balance at 31 December 2019	**(690.5)**	**(53.5)**	**(110.8)**	**(854.8)**

2020 movements	Right-of-use assets	Intangible assets	Financial assets and investments	Total
	$M	**$M**	**$M**	**$M**
Balance at 1 January 2020	**(690.5)**	**(53.5)**	**(110.8)**	**(854.8)**
(Charged)/credited:				
Acquired in business combination	(25.6)	-	-	(25.6)
To profit and loss	17.1	1.2	0.4	18.7
Disposal of REIT investment	-	-	112.3	112.3
Balance at 31 December 2020	**(699.0)**	**(52.3)**	**1.9**	**(749.4)**

The income tax expense for the year is the tax benefit on the current year's taxable loss based on the income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and unrecognised deferred tax assets, or liabilities such as unused tax losses.

Current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is not accounted for if it arises from initial recognition of goodwill, or of an asset or liability in a transaction, other than a business combination that at the time of the transaction affects neither accounting nor taxable profit (or loss). Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Tax assets and liabilities are offset when there is a legally enforceable right to offset.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

27. Income tax and deferred tax (continued)

Tax Consolidation

The Company and its wholly-owned Australian controlled entities have elected to form an income tax consolidated group (TCG).

In addition to its own current and deferred tax amounts, the Company also recognises the current income tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the TCG.

The entities in the TCG have entered into a tax funding agreement under which the wholly-owned entities fully compensate the Company for any current income tax payable assumed and are compensated by the Company for any current income tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to the Company under the income tax consolidation legislation.

The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements. Assets or liabilities arising under tax funding agreements with the entities in the TCG are recognised as current amounts receivable from or payable to other entities in the Group.

Group structure

28. Group information

(a) Principles of consolidation

The consolidated financial statements comprise the financial statements of the Group and its material subsidiaries as at 31 December 2020. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

(b) Controlled entities

The consolidated financial statements of the Group includes the controlled entities listed below:

Name of entity	Country of incorporation/establishment	Equity holding 2020 %	Equity holding 2019 %
Viva Energy Holding Pty Ltd	Australia	100	100
Viva Energy Australia Group Pty Ltd	Australia	100	100
Viva Energy Australia Pty Ltd	Australia	100	100
Viva Energy Aviation Pty Ltd	Australia	100	100
Viva Energy Gas Pty Ltd	Australia	100	100
Viva Energy Refining Pty Ltd	Australia	100	100
Viva Energy Gas Australia Pty Ltd	Australia	100	-
VER Manager Pty Limited	Australia	100	100
ZIP Airport Services Pty Ltd	Australia	100	100
Viva Energy S.G. Pte Ltd	Singapore	100	100
Pacific Hydrocarbon Solutions Limited	Papua New Guinea	100	100
Liberty Oil Holdings Pty Ltd*	Australia	100	100
Deakin Services Pty Ltd*	Australia	100	100
Liberty Oil Affinity Pty Ltd*	Australia	100	100
Liberty Oil City Leasing Pty Ltd**	Australia	100	100
Liberty Oil Land Pty Ltd*	Australia	100	100
Liberty Oil Property Pty Ltd*	Australia	100	100
Tradeway Services Pty Ltd*	Australia	100	100
Liberty Oil (SA) Pty Ltd*	Australia	100	100
Liberty Oil (WA) Pty Ltd*	Australia	100	100
Liberty Oil Corporation Pty Ltd*	Australia	100	100
Liberty Oil Finance Pty Ltd*	Australia	100	100
Liberty Oil Wholesale (S) Pty Ltd*	Australia	100	100
Liberty Oil Express Pty Ltd*	Australia	100	100
Liberty Oil Australia Pty Ltd*	Australia	100	100
Westside Petroleum Consolidated Holdings Pty Limited**	Australia	100	-
Westside Petroleum Pty Ltd**	Australia	100	-
Westside Petroleum Wholesalers Pty Ltd**	Australia	100	-
Westside Petroleum Holdings Pty Ltd	Australia	100	-
Westside Petroleum BPM Pty Ltd**	Australia	100	-
Westside Petroleum Retail 1 Pty Limited**	Australia	100	-
Westside Petroleum Convenience Stores Pty Ltd**	Australia	100	-
Westside Petroleum CA Fuel Retail Pty Ltd**	Australia	100	-
Westside Petroleum Co Pty Ltd**	Australia	100	-

**Joined the Deed of Cross Guarantee on 13 December 2019. Refer to Note 32 Deed of cross guarantee for further detail.*

*** Joined the Deed of Cross Guarantee on 18 December 2020. Refer to Note 32 Deed of cross guarantee for further detail.*

All Westside Petroleum companies were acquired on 31 August 2020. Refer to Note 29 Business combinations for further detail.

28. Group Information (continued)

(c) Interests in associates

The Group holds interest in the following investments accounted for using the equity method:

Name of entity	Country of incorporation/establishment	Equity holding 2020 %	Equity holding 2019 %
LOC Global Pty Ltd	Australia	50	50
Viva Energy REIT [1]	Australia	-	36
Westside Petroleum Pty Limited [2]	Australia	-	50
Fuel Barges Australia Pty Ltd	Australia	50	50

[1] On 21 February 2020 the Group sold its 35.5% security holding (276,060,625 stapled securities) in Viva Energy REIT (now called Waypoint REIT) for an average of $2.66 per security by way of a fully underwritten block trade, and a sale to each of Charter Hall Group and the Charter Hall Long Wale REIT. The sale contributed $113.9 million to the Group's pre-tax profit with net cash proceeds of $730.1million after transaction costs. The Group no longer holds any securities in Waypoint REIT.

[2] On 31 August 2020, the Group acquired the remaining 50% interest in Westside Petroleum Pty Ltd. Refer to Note 29 *Business Combinations* for further detail.

Further details regarding these investments can be found in Note 30 *Interests in associates and joint operations.*

(d) Interests in joint operations

The Group has a 52% interest in W.A.G Pipeline Pty Ltd (2019: 52%), a 50% interest in Crib Point Terminal Pty Ltd (2019: 50%) and a 33% interest in Cairns Airport Refuelling Services Pty Ltd (2019: 33%). These are classified as joint operations under AASB 11 *Joint Arrangements*. Further details regarding these investments can be found in Note 30 *Interests in associates and joint operations*.

29. Business combinations

On 5 March 2020, the Group agreed to acquire the remaining 50% interest in Westside Petroleum Pty Ltd for a nominal purchase price of $1. The acquisition received regulatory approval and was completed on 31 August 2020.

Westside Petroleum is a supplier of bulk fuels and lubricants to customers and distributors operating predominantly in regional areas of New South Wales and Victoria. The business includes a network of 50 service stations carrying Westside Petroleum, Shell, Caltex and Liberty brands.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

Purchase consideration:

	$M
Settlement of loan facilities	4.3
Working capital funding	0.2
Write off Shareholder loan to Westside Petroleum	9.0
Write off pre-acquisition trade receivables from Westside Petroleum	4.9
Total purchase consideration	**18.4**

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

	Recognised values
Cash and cash equivalents	(1.0)
Trade and other receivables	1.5
Inventories	0.9
Property, plant and equipment	6.0
Finance lease receivables	8.8
Right-of-use assets	76.5
Intangible assets	0.2
Other assets	0.6
Trade and other payables	(4.0)
Provisions	(3.2)
Lease liabilities	(85.3)
Borrowings	(2.2)
Provision for deferred tax	0.4
Net identifiable assets acquired	**(0.8)**
Goodwill on acquisition	19.2
Total purchase consideration	**18.4**

The recognised values represent the fair value of assets recorded on acquisition. The accounting for the acquisition is provisional and will be finalised in the next accounting period. In completing the purchase price allocation, the Group has been required to make judgements relating to the fair value of assets and liabilities, in particular the valuation of certain liabilities.

The $19.2 million of goodwill acquired represents other intangible assets that did not meet the criteria for recognition as separately identifiable assets at the date of acquisition. It will not be deductible for tax purposes. The carrying value of Goodwill is allocated to the Marketing and Supply CGU. Refer to Note 16 *Goodwill and other intangible assets*.

Goodwill on acquisition has been provisionally accounted for. If new information regarding the fair values of acquired assets and liabilities is obtained during the measurement period, the goodwill and respective asset and liability balances shall be retrospectively adjusted.

29. Business combinations (continued)

Acquired receivables

The fair value of acquired trade receivables is $1.5 million. The gross contractual amount for trade receivables due is $2.0 million, with a loss allowance of ($0.5) million.

Revenue and profit contribution

Westside Petroleum Pty Ltd contributed revenues of $38.6 million and loss after tax of $1.8 million to the Group from the Transaction Date to 31 December 2020.

If the acquisition had occurred on 1 January 2020, pro-forma revenue and loss for the year ended 31 December 2020 would have been revenues of approximately $109.7 million and loss after tax of approximately $7.6 million respectively. These amounts have been calculated using Westside Petroleum's results and adjusting them for differences in the accounting policies between the Group and the acquired subsidiaries. During the course of 2020, the Group commenced converting company owned retail sites into dealer owned sites to improve profitability.

Purchase consideration – cash outflow

	2020	2019
	$M	**$M**
Outflow of cash to acquire subsidiary, net of cash acquired		
Cash consideration	-	42.0
Adjustment for debt/(cash) acquired	1.0	(17.2)
Net outflow of cash – investing activities	**1.0**	**24.8**

Acquisition related costs

Acquisition-related costs of $0.2 million (2019: $2.0 million) are included within general and administration expenses or salaries and wages in the consolidated statement of profit and loss and in operating cash flows in the statement of cash flows.

30. Interests in associates and joint operations

(a) Associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The Group has a non-controlling interest in the following entities which are classified as associates under the current ownership structure in accordance with AASB 128 *Investments in Associates and Joint Ventures.* These investments have been recognised in the consolidated financial statements using the equity method:

LOC Global Pty Ltd

	2020	2019
	$M	**$M**
LOC Global Pty Ltd	15.4	15.5
Viva Energy REIT	-	615.9
Westside Petroleum Pty Limited	-	10.4
Fuel Barges Australia Pty Ltd	-	-
Total investments accounted for using the equity method	**15.4**	**641.8**

30. Interests in associates and joint operations (continued)

(a) Associates (continued)

LOC Global Pty Ltd

LOC Global Pty Ltd ('LOC Global') is a private entity that is based in Melbourne, Australia. The Group holds 50% (2019: 50%) equity holding in LOC Global.

LOC Global had no other contingent liabilities or capital commitments as at 31 December 2020, except as disclosed in Note 18 *Commitments and contingencies*.

	2020	2019
Movement of LOC Global investment	**$M**	**$M**
Balance at the beginning of the year	15.5	-
Transfer of investment from Liberty Oil Holdings	-	15.5
Share of LOC Global loss	(0.1)	-
	15.4	**15.5**

Viva Energy REIT

On 21 February 2020 the Group sold its 35.5% security holding (276,060,625 stapled securities) in Viva Energy REIT (now called Waypoint REIT) for an average of $2.66 per security by way of a fully underwritten block trade, and a sale to each of Charter Hall Group and the Charter Hall Long Wale REIT. The sale contributed $113.9 million to the Group's pre-tax profit with net cash proceeds of $730.1 million after transaction costs. The Group no longer holds any securities in Waypoint REIT.

	2020	2019
Movement of Viva Energy REIT investment	**$M**	**$M**
Balance at the beginning of the year	615.9	591.6
Dividends received	(19.8)	(39.2)
Share of Viva Energy REIT profit	13.7	70.3
Share of Viva Energy REIT OCI	-	(6.8)
Disposal of investment	(609.8)	-
Balance at end of year	**-**	**615.9**

Westside Petroleum Pty Limited

On 31 August 2020, the Group acquired the remaining 50% interest in Westside Petroleum Pty Ltd. It is no longer classified as an associate and is now fully consolidated into the Group. Refer to Note 29 *Business combinations* for further detail.

	2020	2019
Movement of Westside Petroleum investment	**$M**	**$M**
Balance at the beginning of the year	10.4	14.9
Share of Westside Petroleum loss	(3.0)	(4.5)
Business Combination adjustment	(7.4)	-
Balance at end of year	**-**	**10.4**

Total share of profits in associates for the 2020 year amounted to $10.6 million (2019: $60.2 million). The $113.9 million profit from the Waypoint REIT sale and the $7.4 million Westside business combination adjustment are disclosed within net profit on sale of investments in the consolidated statement of profit or loss.

30. Interests in associates and joint operations (continued)

(a) Associates (continued)

Aggregate summary information of associates

This table below represents the aggregate summary information of associates. It represents the amounts shown in financial statements of the associate companies in accordance with Australian accounting standards.

	2020	2019
	$M	$M
Current assets	72.4	97.1
Non-current assets	132.8	2,715.5
Current liabilities	(78.5)	(122.2)
Non-current liabilities	(115.0)	(911.9)
Net assets	**11.7**	**1,778.5**
Net assets – Group's share of investment	5.9	632.3
Adjustments resulting from the equity accounting method	9.5	9.5
Carrying amount of investments accounted for using the equity method	15.4	641.8
Revenue	577.3	2,072.9
Net profit from continuing operations	0.1	189.5
Net (loss) from associate acquired during the period	(5.8)	(8.5)
Net profit from associate disposed of during the period	38.4	-
Other comprehensive income	(1.6)	(19.1)
Total comprehensive income	36.8	161.9
Distributions received from equity accounted for investments	19.8	40.8

(b) 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 Group owns a 52% interest in W.A.G Pipeline Pty Ltd, a 50% interest in Crib Point Terminal Pty Ltd and a 33% interest in Cairns Airport Refuelling Services Pty Ltd. The investments are incorporated in Australia with principal operations in Victoria and Cairns, and are classified as joint operations under AASB 11 *Joint Arrangements*, where the Group recognises its direct right to the jointly held assets, liabilities, revenues and expenses and has proportionately consolidated its interests under the appropriate headings in the consolidated financial statements.

The joint operations had no other contingent liabilities or capital commitments as at 31 December 2020 and 2019, except as disclosed in Note 18 *Commitments and contingencies*.

31. Parent company financial information

The financial information presented below presents that of the parent entity of the Group, Viva Energy Group Limited.

	2020	2019
	$M	$M
Statement of financial position		
Non-current assets	4,852.7	4,791.8
Current liabilities	112.6	4.0
Net assets	**4,740.1**	**4,787.8**
Contributed equity	4,373.9	4,861.3
IPO reserve	(70.3)	(71.3)
Employee share based payment reserve	(3.9)	(7.1)
Capital redemption reserve	21.8	-
Retained earnings	418.6	4.9
Total equity	**4,740.1**	**4,787.8**
Results		
Profit of the Company	594.7	136.9
Total comprehensive income of the Company	**594.7**	**136.9**

32. Deed of cross guarantee

As at 31 December 2020, the Company (as the Holding Entity) and all the controlled entities listed in Note 28(b) *Group information* (with the exception of Viva Energy S.G. Pte Ltd, Pacific Hydrocarbon Solutions Limited, Viva Energy Gas Australia Pty Ltd and Westside Petroleum Holdings Pty Ltd) are parties to a Deed of Cross Guarantee dated 14 December 2018 ('Deed').

Liberty entities marked with an asterisk (*) in Note 28(b) *Group information* were joined as parties to the Deed by Assumption Deeds dated 13 December 2019 and Westside Petroleum entities marked with a double asterisk (**) joined as parties to the Deed on 18 December 2020.

Under the Deed, each company guarantees the debts of the others to each creditor payment in full of any debt in accordance with the terms of the Deed.

By entering into the Deed, the controlled entities have been relieved from the requirement to prepare a financial report and directors' report under Instrument 2016/785 issued by the Australian Securities and Investments Commission ('Instrument'). The companies referred to above represent a 'Closed Group' for the purposes of the Instrument.

32. Deed of cross guarantee (continued)

The aggregate assets and liabilities of the companies which are party to the Deed and the aggregate of their results for the period to 31 December 2020 and 2019 are set out below:

	2020	2019
	$M	$M
Revenue	**12,408.3**	**16,541.6**
Replacement cost of goods sold	(6,382.1)	(10,084.9)
Net inventory loss	(256.6)	(49.5)
Sales duties, taxes and commissions	(4,426.6)	(4,607.5)
Import freight expenses	(274.0)	(333.2)
Historical cost of goods sold	**(11,339.3)**	**(15,075.1)**
Gross profit	**1,069.0**	**1,466.5**
Net gain/(loss) on other disposal of property, plant and equipment	5.5	(1.9)
Net profit on sale of investments	106.4	1.3
Other income	24.9	-
Other income	**136.8**	**(0.6)**
Transportation expenses	(240.6)	(258.8)
Salaries and wages	(265.7)	(257.7)
General and administration expenses	(169.5)	(140.9)
Maintenance expenses	(91.7)	(115.4)
Lease related expenses	(11.8)	(19.4)
Sales and marketing expenses	(81.3)	(105.4)
	-	(1.3)
Results from operations	**345.2**	**567.0**
Interest income	4.2	2.8
Share of profit in associates	10.6	60.2
Realised/unrealised gain on derivatives	35.3	7.9
Net foreign exchanges (loss)/gain	(23.9)	37.2
Depreciation and amortisation expenses	(386.4)	(355.6)
Finance costs	(187.0)	(189.8)
(Loss)/profit before income tax expense	**(202.0)**	**129.7**
Income tax benefit/(expense)	156.3	(39.8)
(Loss)/Profit after tax	**(45.7)**	**89.9**

32. Deed of cross guarantee (continued)

	2020	2019
	$M	$M
ASSETS		
Current assets		
Cash and cash equivalents	47.4	126.5
Trade and other receivables	787.2	1,203.0
Inventories	698.4	1,195.2
Assets classified as held for sale	2.9	6.7
Derivative assets	-	0.2
Prepayments	27.2	20.2
Current tax assets	30.3	40.3
	1,593.4	**2,592.1**
Non-current assets		
Long-term receivables	28.4	40.6
Property, plant and equipment	1,465.6	1,464.2
Right-of-use assets	2,248.0	2,328.1
Goodwill and other intangible assets	646.6	657.0
Post-employment benefits	0.2	6.9
Investments accounted for using the equity method	15.4	641.8
Net deferred tax assets	324.8	165.9
Other non-current assets	2.1	2.1
	4,731.1	**5,306.6**
Total assets	**6,324.5**	**7,898.7**
LIABILITIES AND EQUITY		
Current liabilities		
Trade and other payables	1,376.8	2,163.5
Provisions	121.8	127.8
Short-term lease liabilities	132.2	7.7
Short-term borrowings	-	128.0
Derivative liabilities	19.4	19.0
	1,650.2	**2,446.0**
Non-current liabilities		
Provisions	101.3	95.7
Long-term borrowings	153.3	256.9
Long-term lease liabilities	2,315.4	2,320.3
Long-term payables	94.3	93.2
	2,664.3	**2,766.1**
Total liabilities	**4,314.5**	**5,212.1**
Net assets	**2,010.0**	**2,686.6**
Equity		
Contributed equity	4,369.7	4,857.1
Treasury shares	(6.8)	(14.2)
Reserves	(4,216.6)	(4,246.5)
Retained earnings	1,863.7	2,090.2
Total equity	**2,010.0**	**2,686.6**

Other disclosures

33. Post-employment benefits

(a) Superannuation plan

The main provider of superannuation benefits in the Group is the Viva Energy Superannuation Fund ('VESF'). This fund was established on 1 August 2014, and provides a mixture of defined benefits and accumulation style benefits. Currently, the principal type of benefits provided under the VESF (to eligible members) is a lump sum, pension or lump sum and accumulation benefits. Lump sum and pension benefits are based primarily on years of service and the highest average salary of the employee.

The Viva Energy Superannuation Plan ('Plan') is a sub-plan in the Plum Division of the MLC Super Fund which is operated by NULIS Nominee (Australia) Limited (the Trustee). The Plan is a "regulated fund" under the provision of the Superannuation Industry (Supervision) Act 1993. The Plan is treated as a complying defined benefit superannuation fund for taxation purposes.

The Group's superannuation plan has a defined benefit section and also a defined contribution section. The defined contribution section receives fixed contributions from Group companies and the Group's legal or constructive obligation is limited to these contributions. The defined benefit section was closed to new members in 1998.

(b) Defined benefit superannuation - significant estimate

The liability or asset recognised in the consolidated statement of financial position in respect of defined benefit superannuation section is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. These complexities expose the Group to a number of risks, including asset value volatility, variations in interest rates, inflation and fluctuations in life expectancy expectations. Recognising this, the Group have moved away from providing defined benefits pensions and the scheme has been closed to new entrants for many years. All assumptions used in the valuation are reviewed at each reporting date.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using market yields of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation.

Gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the consolidated statement of changes in equity and recognised as remeasurement of retirement benefit obligations in the consolidated statement of financial position.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in the consolidated statement of profit or loss within salaries and wages as past service costs.

Contributions to the defined contribution section of the Group's superannuation fund and other independent defined contribution superannuation funds are recognised as an expense as they become payable.

The following sets out details in respect of the defined benefit section only.

Amounts recognised in consolidated statement of financial position

	2020	2019
	$M	**$M**
Present value of defined benefit obligation	(93.4)	(98.5)
Fair value of defined benefit plan assets	93.6	105.4
Net defined benefit asset recognised in the consolidated statement of financial position	**0.2**	**6.9**

33. Post-employment benefits (continued)

(b) Defined benefit superannuation - significant estimate (continued)

Changes in the defined benefit obligation and fair value of plan assets

	Present value of defined benefit obligation		Fair value of defined benefit plan assets	
	2020	**2019**	**2020**	**2019**
	$M	**$M**	**$M**	**$M**
Balance at 1 January	(98.5)	(111.4)	105.4	122.8
Current service cost	(3.9)	(4.6)	-	-
Net interest on the defined benefit (liability)/asset	(1.8)	(3.3)	1.8	3.7
Return on assets less interest income	-	-	(0.1)	4.1
Actuarial (loss) – change in demographic assumptions	(0.1)	(0.4)	-	-
Actuarial (loss) – change in financial assumptions	(2.5)	(6.5)	-	-
Actuarial (loss)/gain – experience adjustments	(0.9)	0.4	-	-
Tax on remeasurement of defined benefit obligation		-	-	-
Benefits paid	14.8	27.9	(14.8)	(27.9)
Employer contributions	-	-	0.8	2.1
Employee contributions	(0.5)	(0.6)	0.5	0.6
Business acquisition	-	-	-	-
Balance at 31 December	**(93.4)**	**(98.5)**	**93.6**	**105.4**

Amounts recognised in consolidated statement of profit or loss

	2020	**2019**
	$M	**$M**
Amounts recognised in profit or loss		
Service cost	3.1	3.9
Member contributions	(0.4)	(0.5)
Plan expenses	1.2	1.2
Current service cost	**3.9**	**4.6**
Net interest on the new defined benefit liability/(asset)	(0.1)	(0.4)
Components of defined benefit cost recorded in profit or loss	**3.8**	**4.2**
Amounts recognised in other comprehensive		
Remeasurement of the net defined benefit liability:		
Return on assets less interest income	0.1	(4.1)
Actuarial loss – change in demographic assumptions	0.1	0.4
Actuarial loss – change in financial assumptions	2.4	6.5
Actuarial loss/(gain) – experience adjustments	0.9	(0.4)
Tax on remeasurement of defined benefit obligation	(1.1)	(0.7)
Components of defined benefit cost recorded in other comprehensive income	**2.4**	**1.7**

33. Post-employment benefits (continued)

(b) Defined benefit superannuation - significant estimate (continued)

The major categories of plan assets of the fair value of the total plan assets are, as follows:

	2020	2019
	$M	$M
Australian equities	8.4	8.4
International equities	12.2	12.6
Property	7.5	10.4
Fixed income bonds	37.4	41.1
Other	9.4	12.6
Cash	18.7	20.3
Total plan assets	**93.6**	**105.4**

The Group agreed to pay nil contributions to the plan in 2020 (2019: nil) and has agreed to pay nil contributions in 2021, then expects to recommence contributions after that time. The Group will however pay contributions to cover administration expenses and premiums relating to the plan in 2021. The following payments are expected to be contributed to the defined benefit plan in future years:

	2020	2019
	$M	$M
Within the next 12 months	0.8	-
Between 2 and 5 years	3.8	2.4
Between 5 and 10 years	1.9	1.6
Beyond 10 years	0.3	0.3
Total expected payments	**6.8**	**4.3**

The average duration of the defined benefit plan obligation at the end of the reporting period is 5.9 years (2019: 5.7 years).

Actuarial assumptions

The principal assumptions used in determining benefit obligations for the Group's Plan are shown below:

	2020	2019
	%	%
Discount rate	1.1	1.9
Expected rate of salary increases	2.0	2.5
Pension increase rate	1.8	2.0

Pensioner mortality has been assumed following the mortality under the Australian Life Tables 2017-19. Significant assumptions used to determine the present value of the defined benefit obligation are the discount rate and expected salary increases. The sensitivity analysis shown below has been based on reasonable possible changes of the assumptions occurring at the end of the reporting period:

	Impact on defined benefit obligation	
	2020	2019
	$M	$M
Discount rate:		
1.0% increase	(5.4)	(5.7)
1.0% decrease	6.4	6.2
Expected rate of salary increases:		
1.0% increase	2.8	3.0

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analyses are based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

34. Related party disclosures

Note 28 *Group information* provides information about the Group's structure, including details of the subsidiaries and the parent entities.

Entities in the Group engage in a variety of related party transactions as part of the normal course of business. They supply products to related entities and overseas related corporations outside of the Group, and purchase crude and products from and pay service fees to overseas related corporations.

- All related party transactions are conducted at arm's length on a commercial basis
- Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash
- For the year ended 31 December 2020, the Group has not recorded any impairment of receivables relating to amounts owed by related parties, nor has there been any expenses recognised during the period in respect of bad or doubtful debts written off from related parties (2019: nil)
- The assessment of related party receivables is undertaken on an ongoing basis each financial year through examining the financial position of the related party and the market in which the related party operates

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year.

(a) Transactions with related parties

	2020	2019
	$'000	**$'000**
Sales and purchases of goods and services		
Purchases	6,910,598	10,687,684
Sales of goods and services	600,860	964,193
Outstanding balances arising from sales/purchases of goods and services		
Receivables	12,337	90,477
Payables	821,692	1,407,737

(b) Transactions with associates

	2020	2019
	$'000	**$'000**
Sales and purchases of goods and services		
Purchases	10,941	43,843
Sales of goods and services	490,570	1,608,118
Other transactions		
Interest income from associates	1,678	601
Sales of assets to associates	5,188	31,480
Lease expense paid to associates	113,200	146,370
Dividends from associates	19,849	40,838
Loan to associates	-	30,335
Outstanding balances arising from sales/purchases of goods and services		
Receivables	39,538	35,905
Payables	139	13,199

(c) Transactions with key management personnel or entities related to them

Executive directors of controlled entities are entitled to receive discounts on their purchases of company products under the same conditions as are available to all other employees of the Group. The terms and conditions of the transactions with directors or their director related entities were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities or on an arm's length basis. Dealings between the Group and various related companies are identified in this note.

Some directors hold directorships within the Vitol group of companies and any transactions entered into by the Group with the Vitol group of companies are in the ordinary course of business and are at arm's length.

34. Related party disclosures (continued)

(d) Key management personnel compensation

	2020	2019
	$'000	$'000
Short-term employee benefits	3,955	2,972
Post employee benefits	133	132
Employee option plan	1,247	1,263
Total compensation paid to key management personnel	**5,335**	**4,367**

(e) Long Term Incentive Plan (LTI)

The Company has established a long term incentive (LTI) plan to assist in the motivation, retention and reward of eligible employees. The LTI plan is designed to reward long-term performance, provide alignment with the interest of shareholders, and encourage long-term value creation. The amount of rights that will vest depends on the Company's relative total return to shareholders (TSR), free cash flow (FCF) and return on capital employed (ROCE).

A Performance Right entitles the participant to acquire one ordinary share for nil consideration at the end of the performance period, subject to the satisfaction of the performance conditions. The Board retains discretion to make a cash payment to participants on vesting of Performance Rights in lieu of an allocation of shares.

Performance rights are granted under the plan for no consideration and carry no dividend or voting rights.

Set out below are summaries of rights granted under the plan:

	2020	2019
	Number of rights	Number of rights
Balance at the start of the financial year	3,524,041	1,600,000
Granted during the year	2,087,421	2,052,041
Forfeited during the year	(510,599)	(128,000)
Balance at the end of the financial year	**5,100,863**	**3,524,041**

The following performance rights arrangements were in existence at the end of the year:

			Number of performance rights outstanding	
Tranche	**Grant date**	**Fair value range at grant date**	**31-Dec-20**	**31-Dec-19**
FY18 Tranche	23-Jul-18	$1.39 - $2.27	1,232,000	1,472,000
FY19 Tranche #1	19-Mar-19	$1.73 - $2.23	1,127,495	1,398,094
FY19 Tranche - CEO	23-May-19	$1.31 - $1.97	541,198	541,198
FY19 Tranche #2	22-Oct-19	$1.32 - $1.79	112,749	112,749
FY20 Tranche - CFO	18-Feb-20	$1.06 - $1.73	301,232	-
FY20 Tranche #1	18-Feb-20	$0.47 - $1.49	1,028,824	-
FY20 Tranche - CEO	6-Jul-20	$0.91 - $1.58	556,121	-
FY20 Tranche #2	8-Oct-20	$0.91 - $1.58	201,244	-
			5,100,863	**3,524,041**

Fair value of performance rights

The FY20 LTI plan performance rights with the relative TSR hurdle vesting condition have been valued by an independent expert using a hybrid trinomial option model. This model uses a combination of Monte Carlo simulation and a trinomial lattice to model the performance of the Company's shares and the individual shares within the entities in the S&P / ASX 100 index. The FY20 LTI plan performance rights with FCF and ROCE hurdles are valued using a hybrid employee stock option model with a single share price target. Specifically, this model adjusts the spot prices as at the valuation date for expected dividends during the vesting period.

34. Related party disclosures (continued)

(e) Long Term Incentive Plan (LTI) (continued)

Model inputs for performance rights granted during the year included:

Grant date	Share price at grant date	Expected life	Volatility	Risk-free rate of return	Dividend yield	Vesting date
18-Feb-20	$1.69	2.87 years	25%	0.73%	4.30%	31-Dec-22
18-Feb-20	$1.69	2.87 years	25%	0.73%	4.30%	31-Dec-22
6-Jul-20	$1.76	2.49 years	25%	0.19%	4.30%	31-Dec-22
8-Oct-20	$1.76*	2.21 years	25%	0.19%*	4.30%	31-Dec-22

**The performance rights granted on 8-Oct-20 (non-KMP) have not been independently valued, and are aligned to the 6-Jul-20 valuation inputs*

(f) Deferred Share Rights Issued

During the period the Company issued share rights to certain employees. Subject to satisfaction of service conditions, a share right entitles the participant to receive one ordinary share for nil consideration on vesting. Share rights carry no dividend or voting rights however holders are entitled to a dividend equivalent payment.

The table below sets out the number share rights granted under the plan:

	2020	2019
	Number of rights	Number of rights
Balance at the start of the financial year	213,903	-
Granted during the year	1,987,680	213,903
Balance at the end of the financial year	**2,201,583**	**213,903**

The following deferred share rights arrangements were in existence at the end of the year:

			Number of performance rights outstanding	
Tranche	**Grant date**	**Fair value range at grant date**	**31-Dec-20**	**31-Dec-19**
FY19 Tranche	22-Oct-19	$1.88	213,903	213,903
FY20 Tranche #1	18-Feb-20	$1.61 - $1.69	1,952,566	-
FY20 Tranche #2	6-Jul-20	$1.69	35,114	-
			2,201,583	**213,903**

Fair value of deferred share rights

The deferred share rights were valued using the share spot price as at the valuation date.

34. Related party disclosures (continued)

(g) Legacy LTI

Section 10.4.3 of the Prospectus described the Legacy LTI introduced by VEH in 2015. Under that plan options over preference shares in VEH (**VEH Options**)[1] were issued to certain participants, including the CEO and CFO. At, or around the time, of the Company's listing on the ASX in 2018, outstanding VEH Options were acquired by the Company and, as consideration, options over shares in the Company were issued to Legacy LTI participants (Legacy LTI options). For further information, refer to the Company's Prospectus. All offers under the Legacy LTI were made in the years prior to Listing and no further offers will be made under this plan.

The table below sets out information in relation to the Legacy LTI options.

	2020	2019
	Number of options	**Number of options**
Balance at the start of the financial year	8,651,786	16,534,520
Exercised during the year	(7,113,692)	(7,882,734)
Balance at the end of the financial year	**1,538,094**	**8,651,786**

The following Legacy LTI options were in existence at the end of the year:

Grant Date	Expiry Date	Exercise Price	31-Dec-20	31-Dec-19
26-Apr-16	1-Jan-20	$0.82	-	6,152,382
26-Apr-16	1-Jan-20	$1.51	-	961,310
25-Oct-17	1-Jan-22	$1.21	1,538,094	1,538,094
			1,538,094	**8,651,786**

Total expenses arising from employee plan transactions recognised during the 2020 year was $3,578,014 (2019: $2,248,341).

35. Auditor's remuneration

The auditor of the Company and the Group is PricewaterhouseCoopers Australia ('PwC'). The following fees were paid or payable to PwC for services provided to the Company and the Group.

	2020	2019
	$	$
Audit or review services:		
PricewaterhouseCoopers Australia		
Audit or review of financial reports of the Group	900,000	1,015,000
Overseas PricewaterhouseCoopers firms		
Audit or review of financial reports*	34,201	39,332
Non-audit services:		
PricewaterhouseCoopers Australia		
Other assurance services	135,764	70,000
Other services	44,576	27,381
Total	**1,114,541**	**1,151,713**

2020 Audit or review services include $130,000 additional work for 2019 audit.
2019 Audit or review services include $220,000 additional work for 2018 audit.
**Fees paid to PricewaterhouseCoopers Singapore for audit of Viva Energy S.G. Pte Ltd*

The Directors have formed the view, based on advice from the Risk and Audit Committee, that the provision of non-audit services during the 2020 financial year was compatible with, and did not compromise, the general standard of independence for auditors imposed by the Corporations Act 2001. The non-audit services provided did not involve the external auditor reviewing or auditing its own work or acting in a management or decision making capacity for the Company, or otherwise could reasonably be expected to compromise its independence.

No officer of the Company was a partner or director of PricewaterhouseCoopers during the financial year. A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 58.

36. Events occurring after the reporting period

There has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Directors' declaration

This Directors' declaration is required by the Corporations Act 2001.

The Directors declare that in their opinion:

(a) the consolidated financial statements and notes of the Viva Energy Group for the year ended 31 December 2020 set out on pages 9 to 117 are in accordance with the Corporations Act 2001, including:

(i) complying with Accounting Standards and the Corporations Regulations 2001;

(ii) giving a true and fair view of the Viva Energy Group's financial position as at 31 December 2020 and of its performance for the year ended on that date;

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

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in Note 32 *Deed of cross guarantee* to the financial statements will be able to meet any obligations or liabilities to which they are, or may become, subject to by virtue of the Deed of Cross Guarantee described in Note 32 *Deed of cross guarantee* to the financial statements.

The *Basis of preparation* on page 64 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the year ended 31 December 2020.

The declaration is made in accordance with a resolution of the Directors.

Robert Hill
Chairman

Scott Wyatt
CEO and Director

24 February 2021

Independent auditor's report

To the members of Viva Energy Group Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Viva Energy Group Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2020 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 31 December 2020
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of profit or loss for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

Independence

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

PricewaterhouseCoopers, ABN 52 780 433 757
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Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the management structure of the Group, its accounting processes and controls and the industry in which it operates.

Materiality	***Audit scope***	***Key audit matters***
• For the purpose of our audit we used overall Group materiality of $10.1 million, which represents approximately 5% of the Group's weighted current and previous 2 year average of profit before tax. • We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole. • We chose the Group's three year weighted average profit before tax as, in our view, the adoption of a multi-year weighted average benchmark will respond to longer-term trends in refining margins and will reduce volatility in the measure year-on-year.	• Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.	• Amongst other relevant topics, we communicated the following key audit matters to the Audit and Risk Committee: – Carrying value of refinery assets – Environmental and asset retirement provision – Inventory valuation • These are further described in the *Key audit matters* section of our report.

- We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

Key audit matter	***How our audit addressed the key audit matter***
Carrying value of refining assets *(Refer to note 12) [$386.0m]* As at 31 December 2020, the Group's property, plant and equipment balances include $386.0m of refining assets. As required under AASB 136 *Impairment of assets,* each period the Group assess all property, plant and equipment balances for any impairment indicators. The recoverable amount of the refining assets has been determined based on a value-in-use calculation. The carrying value of refining assets was considered to be a key audit matter for the following reasons: • The impact of the COVID-19 pandemic on the demand for refined products has adversely impacted refining margins and consequently the refinery performance • Pressure on the long-term outlook of the domestic refining industry as a result of global macroeconomic impacts • Significant judgement was required by the Group to estimate the key assumptions in the calculation to determine the recoverable amount of the refining assets; including the discount rate, refinery intake, refinery margin, government support and foreign exchange rates.	We performed the following procedures amongst others: • Evaluated the forecast cash flows used in the Refinery Impairment Model for consistency with the Group's most up-to-date budget and business plan formally approved by the Board of Directors. • Assessed the Group's historical ability to forecast cash flows by comparing budgets to reported actual results for the past 3 years. • Considered whether the cash flows used in the calculation were appropriate and based on supportable assumptions by assessing cyclicality of refining margins. • Compared the key assumptions around discount rate, refinery intake, refinery margin, foreign exchange rates and government support used in the calculation to historical results, external sources and economic and industry forecasts. • Assessed the competence, experience and objectivity of the external experts used by the Group in preparing the relevant input to the impairment model. • Evaluated the adequacy of disclosures in note 12 in light of the requirements of Australian Accounting Standards.

Key audit matter	How our audit addressed the key audit matter

Environmental and asset retirement provisions
(Refer to note 17) [$139.8m]

As at 31 December 2020, the Group recognised the following provisions:

- Environmental provisions: $40.1m
- Asset retirement provisions: $99.7m

The provisions relate to the Group's obligations to rehabilitate sites, either during or at the end of their operations. This includes the Group's conversion of its former Clyde refinery to a storage terminal.

This was a key audit matter as the calculation of the provisions required the Group to make judgements in estimating the cost and timing of future rehabilitation work, discounted to their present value and the provisions are material.

We performed the following procedures amongst others:

- Tested the mathematical accuracy for a sample of the provision calculations.
- Obtained and read the litigation register and board minutes to identify any legal notices in relation to environmental obligations and checked that these were appropriately considered in the determination of the provisions.
- Assessed the competence, experience and objectivity of the internal and external experts used by the Group in preparing the relevant calculations for the determination of the provisions.
- Corroborated a sample of estimates used in the provision calculations to third party support or estimates made by external experts.
- Evaluated the completeness of the provisions through comparing new sites acquired/opened during the year with the sites for which a provision has been recognised.
- Performed sensitivity analysis over key estimates and assumptions, such as the discount and inflation rates used by making changes that we consider reasonably possible to assumptions, to assess the impact on the asset retirement provision determined.

Inventory valuation
(Refer to note 5) [$698.8m]

The Group accounts for inventory at standard cost and allocates purchase price variances (PPV) to inventories to the extent that they are incurred in bringing inventories to their present location and condition. In addition, at month-end adjustments are made to the cost of inventories to ensure costs are assigned on a first-in-first-out (FIFO) basis in accordance with Australian Accounting Standards AASB 102 Inventories.

This was a key audit matter due to the judgement involved in month-end adjustments made and the significance of the inventory balance.

We performed the following procedures amongst others:

- Assessed the design and operating effectiveness of relevant internal controls over inventory valuation.
- Tested the mathematical accuracy for a sample of the underlying calculations within the valuation model.
- Tested the key inputs into the valuation model used to calculate the FIFO adjustments by comparing them to supporting evidence.
- Compared the carrying value of inventory to the estimated selling price obtained from an external source to check that inventory was measured at the lower of cost and net realisable value.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 31 December 2020, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 29 to 50 of the Financial report for the year ended 31 December 2020.

In our opinion, the remuneration report of Viva Energy Group Limited for the year ended 31 December 2020 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of *the Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

Chris Dodd
Partner

Niamh Hussey
Partner

Melbourne
24 February 2021