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 2019. The previous corresponding period is the year ended 31 December 2018.

	Under AASB16 *Leases* (new standard)[1]		**Under AASB117 *Leases* (old standard)**		**Variance: % change**		
	Year ended 31 December 2019 Actual A$M	**Year ended 31 December 2018 Pro Forma[2] A$M**	**Year ended 31 December 2019 Pro Forma[3] A$M**	**December ended 31 December 2018 Actual A$M**	**31 December 2019 Actual to 31 December 2018 Actual[4]**	**31 December 2019 Actual to 31 December 2018 Pro Forma**	**31 December 2019 Pro Forma to 31 December 2018 Actual**
Revenue	**16,541.6**	**16,395.1**	**16,541.6**	**16,395.1**	**0.9%**	**0.9%**	**0.9%**
Profit from ordinary activities after tax/net profit for the period attributable to shareholders							
Historical cost basis	**113.3**	**518.1**	**163.8**	**579.6**	**-80.5%**	**-78.1%**	**-71.7%**
Replacement cost basis[5]	**148.0**	**583.6**	**198.5**	**645.1**	**-77.1%**	**-74.6%**	**-69.2%**
Underlying profit after tax attributable to shareholders							
Historical cost basis	**101.1**	**166.0**	**151.6**	**227.5**	**-55.6%**	**-39.1%**	**-33.4%**
Replacement cost basis	**135.8**	**231.5**	**186.3**	**293.0**	**-53.7%**	**-41.3%**	**-36.4%**

Brief explanation of basis of results

Profit from ordinary activities after tax and net profit for the period are prepared in accordance with the Corporations Act 2001 and Australian Accounting Standards. In the 2018 financial year, this included a number of significant one-off items, one of which was a one-off tax benefit of $358.4M primarily in connection with the formation of a new tax consolidated group.

From 1 January 2019, the Group adopted AASB16 *Leases*. This change in accounting policy means that the Group now recognises lease liabilities in relation to leases for which it is the lessee, which had previously been classified as 'operating leases' under the principles of AASB117 *Leases*. More information on this is included in the accompanying financial report of the Company and its controlled entities for the year ended 31 December 2019. The results for announcement to the market include pro-forma financial information to allow comparison of the 31 December 2019 results to the previous corresponding period on a like for like basis. The variation of the actual 31 December 2019 results from the actual 31 December 2018 results is also shown, though it should be noted that these results were prepared applying different accounting policy in relation to leases.

1) The Group adopted AASB16 *Leases* from 1 January 2019. More information on the new standard and the adjustments recognised on the adoption of AASB16 is contained in the accompanying financial report of the Company and its controlled entities for the year ended 31 December 2019.

2) Pro forma 31 December 2018 results have been prepared to show the impact of the accounting standard AASB16 *Leases*. This shows the historical period as if AASB16 *Leases* was in effect from 1 January 2018.

3) Pro forma 31 December 2019 results exclude the impact of AASB16 *Leases* and instead apply AASB117. This information is provided to allow comparison to the actual financial results for the previous corresponding period.

4) 31 December 2019 actual results include the impact of the adoption of AASB16 *Leases* whereas the 31 December 2018 actual results have been prepared under the previous leasing standard AASB117.

5) The Company reports its "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 management 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 2019 Actual cents	Year ended 31 December 2018 Actual cents	% change 31 December 2019 Actual to 31 December 2018
Statutory Earnings per share (Historical cost basis)	**5.8**	**29.8**	**-80.5%**
Underlying Earnings per share (Replacement cost basis)	**7.0**	**15.1**	**-53.6%**

The above calculations are based on the number of shares on issue in the Company as at 31 December 2019, with such number being applied to the historical period for the purpose of comparison. Underlying earnings per share is prepared on the basis of Underlying profit.

	Year ended 31 December 2019 Actual A$	Year ended 31 December 2018 Actual A$	% change 31 December 2019 Actual to 31 December 2018
Net tangible asset per share	**1.06**	**1.21**	**-12.4%**

Net tangible asset per share is derived by dividing net tangible assets by the number of shares on issue as at 31 December 2019, with such number being applied to historical period for the purposes of comparison. 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.

Dividend	**2019**
2019 Final dividend – amount per security (fully franked)	2.6 cents
Trading on ex dividend basis	24 March 2020
Record date for determining entitlement to final dividend	25 March 2020
Date dividend expected to be paid	15 April 2020

There is no dividend or distribution re-investment 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 2019 Financial Report of Viva Energy Group Limited ('2019 Financial Report') and associated ASX market releases made during the period. The 2019 Financial Report includes additional Appendix 4E disclosure requirements and commentary on the results for the year ended 31 December 2019.

This report is based on the 2019 Financial Report which has been audited by PricewaterhouseCoopers ('PwC'). PwC has not audited Pro-forma numbers included in the Director's Report. The Independent Auditor's Report provided by PwC is included in the 2019 Financial Report.

The Company was admitted to the Official List of ASX on 13 July 2018. In connection with its ASX listing, the Company completed a corporate restructure, which included the acquisition of Viva Energy Holding Pty Limited (former holding company of the Viva Energy Group) and its controlled entities. Accordingly, the previous period results presented for comparison, adopt and incorporate the results of Viva Energy Holding Pty Limited and its controlled entities at such time.

Julia Kagan
Company Secretary
24 February 2020

Viva Energy Group Limited and controlled entities

Financial report for the year ended 31 December 2019

ACN: 626 661 032
ABN: 74 626 661 032

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Operating and financial review

Company overview

Viva Energy is one of Australia's leading energy companies. Our origins date back over 110 years when Shell Transport and Trading Company and the Royal Dutch Petroleum Company established the British Imperial Oil Company in Australia as a joint venture in 1907. In 2014, a Vitol-led consortium, Vitol Investment Partnership, acquired the Shell Australia downstream business (excluding the aviation business) and the business was renamed Viva Energy. The aviation business was subsequently acquired and reintegrated in 2017. Viva Energy was admitted to the Official List of the ASX in 2018.

In 2019, Viva Energy supplied 14.7 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.

Viva Energy is the exclusive supplier of Shell fuels and lubricants in Australia, and holds a number of investments, including a 35.5% interest in ASX listed Viva Energy REIT (as at 31 December 2019) which owns service station property assets that it leases to the Group, as well as a 50% interest in the Liberty Oil retail business.

Retail, Fuels and Marketing – Retail

Viva Energy supplies and markets quality fuel products through a national network of nearly 1,300 retail service stations. The majority of this network is Shell-branded, and over 700 of the sites are 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 leading supplier of fuel, lubricants and specialty hydrocarbon products to commercial customers in the aviation, marine, transport, resources, construction, agriculture and manufacturing industries. Viva Energy has market leading positions in many segments which is underpinned by longstanding 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 other 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 has three 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.

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 100 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 25% of Australia's liquid fuel requirements.

In the future, new energies may emerge which can provide potentially greener alternatives to meet our mobility needs and produce the goods and services that we need to build a successful economy. 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 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 maintain sharp focus and **outperform** our competitors in our core businesses, develop opportunities for **new growth** in emerging products and services, and explore **new horizons** for growth in new markets and aligned businesses.

Operating and financial review (continued)

Our Strategy (continued)

Outperform: We aim to operate the most efficient business and be the most preferred oil company in Australia. This means improving our brand preference by leveraging our unique partnerships, maintaining the highest quality retail fuel and convenience network, delivering recognised value to our customers, and protecting our highly regarded reputation with customers and stakeholders. The renegotiation of our Alliance with Coles during 2019, and the subsequent improvement in retail fuel pricing was an important part of this strategy and it is pleasing to see customers respond positively to these changes.

New Growth: Beyond our traditional fuels, there are opportunities in emerging fuels and in other products and services that Viva Energy is well placed to provide. Viva Energy is the only manufacturer of Bitumen, Avgas used in piston engine aircraft, and hydrocarbon solvents that drive earnings opportunities at our refinery in Geelong but also broader market opportunities. Our national infrastructure is well established and securely linked into energy supply chains in all major cities and regional markets around the country, and presents opportunities for development to meet emerging energy needs.

New Horizons: Over more than 110 years we have developed significant capability in managing complex manufacturing processes, diverse supply chains, retail networks, and business to business relationships. This capability naturally extends to other industries and geographies which presents opportunities to grow from our core business to capture synergies and exploit opportunities. As the environment evolves in the future we will continue to monitor changes and carefully consider these opportunities.

In support of these key strategies, we aim to maintain a lower capital operating model and reduce 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 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 matters, as well as focused asset integrity management and proactive health and wellness initiatives.

2019 Business Performance Summary

During 2019, the Group delivered strong top line sales growth, with volumes up 4.6% on FY18. This increase in sales volumes was driven largely by restoration of growth in the retail Alliance channel, continued growth in the Liberty and wholesale businesses, and strong sales performance in commercial segments. Refining operating performance was also strong, with periods of record production.

The Group achieved an Underlying EBITDA (RC) of $644.5M in FY2019, down $130.1M compared with $774.6M for the Pro Forma comparative period[1]. Lower refining margins due to poor gasoline margins and higher crude premiums, weaker industry retail fuel margins, compressed commercial margins due to heightened competition and increased ocean freight combined with the effects of lower exchange rates, and increased supply, corporate and overhead costs all impacted earnings negatively during the year.

In 1H2019 Viva Energy successfully renegotiated and extended the Alliance arrangements with Coles, taking full responsibility for the provision of the fuel offering under the Alliance agreement, including retail fuel pricing and marketing across the Alliance network. In return for the changes to commercial terms and additional margin, Viva Energy made a one-off payment to Coles Express of $137M. As a result of a more competitive retail fuel pricing strategy, the Group returned fuel volumes through the Alliance network to growth in 2H2019 after an extended period of decline. Despite the volume growth and additional margin as a result of the Alliance re-set, industry retail fuel margins compressed relative to the prior year impacting Underlying EBITDA (RC) of the Group. Retail fuel margins did however improve during the final quarter of the 2019 year which contributed to finishing above the retail Underlying EBITDA (RC) range provided in December 2019.

[1] *The 31 December 2018 non-IFRS Pro Forma numbers are provided to illustrate the impact of AASB16 Leases, had the standard applied from 1 January 2018. In determining these Pro Forma amounts, current lease rentals have been de-escalated in line with contractual escalation clauses, leases entered into prior to 1 January 2018 have been excluded and an additional 12 months of future lease payments have been incorporated. Refer to Summary of Statement of Profit and Loss for further details.*

Operating and financial review (continued)

2019 Business Performance Summary (continued)

The Group also extended its licence of the Shell brand on retail automotive fuels in Australia until 31 December 2029, successfully renegotiated and extended approximately one third of commercial customer contracts, completed the acquisition of the remaining 50% of the Liberty Oil Holdings wholesale business and achieved periods of record production at the Geelong Refinery.

There was a marked improvement in both personal and process safety performance compared to 2018, with a 20% decrease in recordable injuries and a 50% decrease in process safety events. The Refining business experienced a 50% reduction in the number of recordable injuries and we exceeded 12 months free of driver injury in our contracted transport operations. We increased the number of fitness to work assessments conducted this year and the Pinkenba terminal achieved renewal of its safety case and major hazard facility licence for a period of five years, free of any licence conditions. In 2020, we will be reviewing and updating the safety case for our major hazard facility at Clyde.

Retail

Retail achieved an Underlying EBITDA (RC) of $564.3M for FY2019, down $44.5M compared with the Pro Forma comparative period. The decline in Underlying EBITDA (RC) was driven primarily by weaker industry retail fuel margins, partially offset by margin improvements as a result of the Alliance renegotiation and growth in fuel volumes in 2H2019.

In the first quarter of 2019 Viva Energy successfully renegotiated and extended the Alliance with Coles to 2029. As a result, Viva Energy took responsibility for retail fuel pricing and marketing, collecting the full retail fuel margin and an enhanced royalty on convenience sales, in effect transforming the business from a wholesaler to a retail fuel marketer. Coles Express continued to earn the convenience store margin and receive a commission per litre on fuel sales achieved. In consideration of the commercial terms and the margin forgone by Coles, Viva Energy made a one off payment of $137M to Coles Express.

Notwithstanding a focus on providing a more competitive fuel offering across the Shell branded Alliance network, margin improvements as a result of the revised Alliance arrangements were impacted by weaker industry retail fuel margins as a result of a sustained rise in underlying oil cost prices during the 1H2019 and heightened competition during the 2H2019. Improved market conditions in the fourth quarter of 2019 were positive as movements in oil price and competitor activity began to stabilise. These factors combined resulted in challenging market conditions for most of 2019, and weaker year-on-year margin performance in the Retail business.

Despite industry retail fuel margin compression during 2019, sales volume growth was achieved within the Alliance channel, with average weekly fuel volumes increasing from 60.0ML in 1HY2019 to an average of 64.7ML per week for 2H2019. The sales volume growth was achieved as a result of more competitive pricing nationally and targeted joint marketing campaigns with Coles Express such as the “Little Shop”, ‘Win Free Fuel’ Promotions and partnerships with Carsales and others. We have seen evidence of improved Customer Brand and Price perception during 2019 and expect to continue to build on this by having a consistent and competitive offer in market. Coles Express continues to operate the stores and provides a compelling convenience offer under the Coles Express brand.

During the year, the Group continued to expand the retail network and added four sites through the Alliance platform as well as securing 20 new Shell branded supply contracts with independent operators. On 1 December 2019, the Group completed the acquisition of the remaining 50% interest in Liberty Oil’s wholesale business and established a new retail joint venture, Liberty Oil Convenience, in which it holds a 50% interest. The Group will continue to target selected network growth through the Alliance, Liberty Oil Convenience and Dealer Owned platforms and views the Liberty Oil Wholesale business as an opportunity to accelerate growth, especially in regional areas.

Commercial

Commercial achieved an Underlying EBITDA (RC) of $296.5M for FY2019, down $32.5M compared with the Pro Forma comparative period. Movement in ocean freight costs combined with a weaker AUD/USD FX rate that were not recoverable from customers during the year accounted for approximately two thirds the difference with the Pro Forma comparative period.

More than a third of the overall Commercial portfolio came up for renewal during the year. The vast majority of those contracts were successfully renewed and extended however markets remained highly competitive in 2019 which lead to some margin erosion and a reduction in earnings compared to the prior year. A good number of prospects were also converted as new customers. At an overall level, the Group continued to grow sales volumes particularly in the Aviation, Transport and Resources segments.

Operating and financial review (continued)

2019 Business Performance Summary (continued)

Commercial (continued)

The Group successfully secured a contract with the Australian Defence Force (ADF) to manage, maintain and supply fuel to the HMAS Cairns Defence Fuel Installation, allowing the Group to commercialise the facility in order to generate supply efficiencies. The business successfully introduced a new marine product, Very Low Sulphur Fuel Oil (VLSFO), which is compliant with the new International Marine Organisation (IMO2020) regulations, allowing the Group to secure its future position in this segment. VLSFO is manufactured at our Geelong refinery.

Refining

Refining delivered an EBITDA (RC) of $117.0M, lower than FY2018 EBITDA of $124.5M, primarily due to lower regional refining margins. The Geelong Refining margin decreased to an average of US$6.6/BBL in FY2019 against an average of US$7.4/BBL in FY2018. Weakness in regional gasoline margins, plus higher crude premia for light sweet crudes were the primary drivers of lower refining margins. Gasoline margins through most of FY2019 continued their low trends from 2018, due to weak regional demand, additional exports from China, and additional production from regional refineries that have upgraded their production of light products in advance of the IMO 2020 Fuel Oil specification change. Despite lower margins, the refinery recorded its highest intake with total throughput of 42.0 MBBLs, which was 4.8% higher than FY2018 throughput of 40.1 MBBLs.

Improved plant availability of 91.9% was due to lower unplanned downtime compared to FY2018 plant availability of 88.4%. Key unplanned events in FY2019 include the extended turnaround of both sulphur recovery units and an outage on a crude distillation unit. In the second half of FY2019 the refinery safely completed the planned intervention on platformer 3. This included an upgrade of the compressor that will allow the unit to increase its availability, lower maintenance costs and improve margin delivery from this unit.

Additionally, the planned intervention on Platformer 3 included a catalyst change and a number of key reliability initiatives which contributed to the refinery achieving a record intake of 42MBBLs for the year, with an average production of white barrel products of 105 KBpd. A new 25ML gasoline tank was commissioned to address key infrastructure opportunities and allow unconstrained operation of the refinery by efficiently aggregating gasoline parcels for coastal export and reducing associated demurrage. The refinery performed a number of successful trials with key customers for a new grade of Very Low Sulphur Fuel Oil (VLSFO) in preparation for the new International Marine Organisation (IMO 2020) regulations which limits the sulphur content of bunker fuel from 3.5% to 0.5% from 1 January 2020.

Supply, Corporate and Overheads

Supply, Corporate and Overheads delivered an Underlying EBITDA (RC) of ($333.3M) in FY2019, an decrease of $45.6M compared with ($287.7M) for the Pro Forma comparative period due to increased property outgoings and coastal shipping costs, higher salary costs relating to natural and contracted wage inflation, the full year impacts of being a publicly listed company, higher insurance costs and inflation. During the year the Group also incurred one-off costs relating to the purchase of the remaining 50% share of Liberty Oil Wholesale and the extension of the Alliance agreement.

There were several highlights in the Group's terminal infrastructure, which included the commissioning of a new 8ML jet fuel storage tank at the Newport terminal. Work has also continued on modernising the marine fuel oil tanks in Sydney including additional capacity to service the growing demand from Australian leisure cruise ships The Group's focus on shipping economics saw the continued leveraging of berthing capabilities in Sydney and Geelong harbours.

Operating and financial review (continued)

2019 Business Performance Summary (continued)

Viva Energy Consolidated Results for the Full Year ended 31 December 2019

The Group Net Profit After Tax ('NPAT') on a historical cost basis ('HC') for FY2019 was $113.3 million ('M'). After adjusting for significant one-off items and net inventory gain/(loss), Underlying NPAT on a replacement cost basis for the period was $135.8 million. A reconciliation from Statutory Profit After Tax (HC) to Underlying NPAT (RC) is summarised in the table below.

Reconciliation of Statutory Profit After Tax to Underlying NPAT (RC)	(A$M)
Statutory Profit After Tax	**113.3**
Add: Significant one-off items net of tax	(4.0)
Add: Net inventory loss net of tax	34.7
Less: One-off tax benefits including tax consolidation	(8.2)
Underlying NPAT (RC)	**135.8**

The Underlying NPAT (RC) result is in line with the guidance update provided to the market on 9 December 2019.

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.

This represented basic earnings per share ('EPS') on a replacement cost basis of 7.0 cents.

AASB16 Leases

On adoption of AASB16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB117 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. Various extension and termination options are included in a number of leases across the Group. Management have 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, all lease extension periods that occur prior to February 2029 have been assumed to be exercised.

In relation to the Group's sublease and licencing arrangements, after consideration of the underlying contracts, it has been determined that as at 1 January 2019 the arrangements continued to exhibit the characteristics of operating leases. A re-assessment of the application of AASB16 in relation to the sublease and licencing contracts was triggered by the Alliance reset with Coles Express announced to the market on 6 February 2019 and due to the changes in the underlying arrangements it has been determined that the inflows under these arrangements fall within the scope of AASB15 *Revenue from contracts with customers*. The Group would have recognised these arrangements as a lease receivable of $1,191.0M on on adoption of AASB16 and a year-end balance of $1,156.4 million had the assessment concluded that the arrangements met the criteria of a finance lease.

Operating and financial review (continued)

2019 Business Performance Summary (continued)

Summary Statement of Profit and Loss

	(A$M)	Under AASB16 *Leases* (new standard)			Under AASB117 *Leases* (old standard)		
		FY 2019 Actual	FY 2018 Pro Forma[2]	Variance	FY 2019 Pro Forma[3]	FY 2018 Actual	Variance
	Revenue	16,541.6	16,395.1	146.5	16,541.6	16,395.1	146.5
	Cost of goods sold (RC)	(15,025.8)	(14,750.1)	(275.7)	(15,025.8)	(14,750.1)	(275.7)
	Gross Profit (RC)	**1,515.8**	**1,645.0**	**(129.2)**	**1,515.8**	**1,645.0**	**(129.2)**
	Retail, Fuels & Marketing						
	Retail	*688.5*	*720.3*	(31.8)	*688.5*	*720.3*	(31.8)
	Commercial	*545.8*	*584.1*	(38.3)	*545.8*	*584.1*	(38.3)
	Refining	*299.8*	*301.5*	(1.7)	*299.8*	*301.5*	(1.7)
	Supply, Corporate and Overheads	*(18.3)*	*39.1*	(57.4)	*(18.3)*	*39.1*	(57.4)
1.	**Total Underlying EBITDA (RC)**	**644.5**	**774.6**	**(130.1)**	**387.1**	**528.9**	**(141.8)**
	Retail, Fuels & Marketing						
	Retail	*564.3*	*608.8*	(44.5)	*563.3*	*608.8*	(45.5)
	Commercial	*296.5*	*329.0*	(32.5)	*291.3*	*323.8*	(32.5)
	Refining	*117.0*	*124.5*	(7.5)	*117.0*	*124.5*	(7.5)
	Supply, Corporate and Overheads	*(333.3)*	*(287.7)*	(45.6)	*(584.5)*	*(528.2)*	(56.3)
	Lease straight-lining	-	-	-	(21.4)	(25.3)	3.9
	Share of profit from associates	60.2	63.5	(3.3)	60.2	63.5	(3.3)
	Net gain/(loss) on other disposal of PP&E	(1.9)	10.2	(12.1)	(1.9)	10.2	(12.1)
2.	Revaluation gain/(loss) on FX and oil derivatives	43.1	1.9	41.2	43.1	1.9	41.2
3.	Depreciation and amortisation	(355.7)	(319.6)	(36.1)	(159.3)	(129.7)	(29.6)
	Profit before interest and tax (HC)	**340.7**	**437.0**	**(96.3)**	**258.3**	**355.9**	**(97.6)**
4.	Add: Net inventory loss	49.5	93.6	(44.1)	49.5	93.6	(44.1)
	Profit before interest and tax (RC)	**390.2**	**530.6**	**(140.4)**	**307.8**	**449.5**	**(141.7)**
5.	Net finance costs	(188.2)	(208.2)	20.0	(33.6)	(39.2)	5.6
	Profit before tax (HC)	**152.5**	**228.8**	**(76.3)**	**224.7**	**316.7**	**(92.0)**
6.	Income tax expense	(51.4)	(62.8)	11.4	(73.1)	(89.2)	16.1
	Underlying Net Profit After Tax (HC)	**101.1**	**166.0**	**(64.9)**	**151.6**	**227.5**	**(75.9)**
	Add: Net inventory loss net of tax at 30%	34.7	65.5	(30.8)	34.7	65.5	(30.8)
	Underlying Net Profit After Tax (RC)	**135.8**	**231.5**	**(95.7)**	**186.3**	**293.0**	**(106.7)**
7.	Significant one-off items (net of tax)	4.0	(6.3)	10.3	4.0	(6.3)	10.3
6.	One-off tax benefit including tax consolidation	8.2	358.4	(350.2)	8.2	358.4	(350.2)
	Net Profit After Tax (HC)	**113.3**	**518.1**	**(404.8)**	**163.8**	**579.6**	**(415.8)**
8.	**Net Profit After Tax (RC)**	**148.0**	**583.6**	**(435.6)**	**198.5**	**645.1**	**(446.6)**

[2] *The 31 December 2018 Pro Forma numbers are provided to illustrate the impact of AASB16 Leases, had the standard applied from 1 January 2018. In determining these Pro Forma amounts, current lease rentals have been de-escalated in line with contractual escalation clauses, leases entered into prior to 1 January 2018 have been excluded and an additional 12 months of future lease payments have been incorporated.*

[3] *The 31 December 2019 Pro Forma numbers exclude the impact of AASB16 Leases and instead apply AASB117 and are provided to allow comparison to prior year's financial statements.*

Operating and financial review (continued)

2019 Business Performance Summary (continued)

Summary Statement of Profit and Loss Analysis

1. Underlying EBITDA (RC)

(A$M)		Under AASB16 *Leases* (new standard)			Under AASB117 Leases (old standard)		
		FY 2019 Actual	FY 2018 Pro Forma	Variance	FY 2019 Pro Forma	FY 2018 Actual	Variance
a.	Retail, Fuels & Marketing						
a(i).	Retail	564.3	608.8	(44.5)	563.3	608.8	(45.5)
a(ii).	Commercial	296.5	329.0	(32.5)	291.3	323.8	(32.5)
b.	Refining	117.0	124.5	(7.5)	117.0	124.5	(7.5)
c.	Supply, Corporate and Overheads	(333.3)	(287.7)	(45.6)	(584.5)	(528.2)	(56.3)
	Total Underlying EBITDA (RC)	**644.5**	**774.6**	**(130.1)**	**387.1**	**528.9**	**(141.8)**

a(i). Retail

The Retail segment comprises a national network of nearly 1,300 retail fuel and convenience sites which are operated through various channels such as sites operated with Coles Express under a long term alliance ("the Alliance"), un-manned truck stops owned and operated by Viva Energy and sites operated by independent dealer owners. Retail also includes sales to wholesalers and independent retail operators, fuel supply to Westside Petroleum Pty Ltd ("Westside") and Liberty Oil.

The Group holds a 50% equity interest in Westside and during the year, acquired the remaining 50% interest of Liberty Oil's wholesale business. The Group's interest in Liberty Oil's retail business has remained at 50%.

The following commentary compares 31 December 2019 Actual results to 31 December 2018 Pro Forma results

Retail achieved an Underlying EDITDA (RC) of $564.3M down $44.5M compared with $608.8M for the Pro Forma comparative period. Viva Energy successfully renegotiated and extended the Alliance arrangements, taking control of board pricing at all Coles Express Shell sites from 1 March 2019, collecting the full retail fuel margin and an enhanced royalty on convenience sales. Improvements as a result of the Alliance renegotiation were more than offset as industry retail fuel margins suffered compression relative to the prior year predominantly due to the volatility in oil price and increased competition in the market. Despite the challenging market environment, volumes in the Alliance increased throughout the year as a result of more competitive national retail fuel pricing and strong consumer marketing campaigns.

During the period, four Company Controlled retail sites were opened and another 20 independently owned retail sites were added to the Shell branded network.

The following commentary compares 31 December 2019 Actual results to 31 December 2018 Actual results

The Group's adoption of AASB16 *Leases* has impacted the Retail results for the 2019 by $1.0M due to the recognition of Liberty leases on 1 December 2019. There is no pro forma adjustment required to the 2018 results.

Operating and financial review (continued)

2019 Business Performance Summary (continued)

Summary Statement of Profit and Loss Analysis

1. Underlying EBITDA (RC) (continued)

a(ii). 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.

The following commentary compares 31 December 2019 Actual results to 31 December 2018 Pro Forma results

Commercial achieved an Underlying EBITDA (RC) of $296.5M down $32.5M compared with $329.0M for the Pro Forma comparative period. Competitive pressures, increased supply chain costs and weaker foreign exchange rates impacting costs that were not able to be passed on to customers during the period have impacted the full year result. Despite these challenging market conditions during 2019 a significant number of our commercial sales contracts were successfully re-negotiated and extended, with a number of new contracts also secured. The business was successful in growing sales volume by approximately 2% during the year.

The Group has a series of key strategic initiatives focussed on expanding its commercial customer base, increasing volumes, improving margins and achieving cost savings. The most significant of these initiatives includes maximising value through Geelong via manufacturing, optimisation and additional bitumen sales, barge cost optimisation, and rollout out Very Low Sulphur Fuel Oil (VLSFO).

The following commentary compares 31 December 2019 Actual results to 31 December 2018 Actual results

Commercial achieved an Underlying EBITDA (RC) of $296.5M compared with $323.8M for the prior comparative period, a decrease of $27.3M. In addition to the factors commented on above, the period-on-period variance was impacted by the adoption of AASB16 *Leases* which resulted in an increase to Underlying EBITDA (RC) of $5.2M.

b. 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.

Refining delivered an EBITDA of $117.0M, lower than FY2018 EBITDA of $124.5M, primarily due to lower regional refining margins. The Geelong Refining margin dropped to an average of US$6.6/BBL in FY2019 against an average of US$7.4/BBL in FY2018 Despite challenging regional refining margins, improved plant availability of 91.9% was due to lower unplanned downtime compared to FY2018 plant availability of 88.4%.

Despite lower margins, the refinery recorded its highest intake with total throughput of 42.0 MBBLs, which was 4.8% higher than FY2018 throughput of 40.1 MBBLs. Total Refinery Costs of $283M were higher than in FY2018 ($275M) due to the platformer 3 intervention, an energy study to identify and quantify efficiency opportunities, a new safety training program rolled out to all employees and contractors on site, and other one-off type expenditure. Benefits from the Power Purchase Agreement with Acciona Energy's Mt Gellibrand Wind Farm, to cover approximately a third of Geelong Refinery's annual electricity requirements were also realised throughout FY2019.

Operating and financial review (continued)

2019 Business Performance Summary (continued)

Summary Statement of Profit and Loss Analysis		
1. Underlying EBITDA (RC) (continued)	**c. 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. ***The following commentary compares 31 December 2019 Actual results to 31 December 2018 Pro Forma results*** Supply, Corporate and Overheads delivered an Underlying EBITDA (RC) of ($333.3M) in FY2019, an decrease of $45.6M compared with ($287.7M) for the Pro Forma comparative period due increased property outgoings and coastal shipping costs, higher salary costs relating to natural and contracted wage inflation, the full year impacts of being a publicly listed company, higher insurance costs and inflation. During the year the Group also incurred one-off costs relating to the purchase of the remaining 50% share of Liberty Oil Wholesale and the extension of the Alliance agreement. ***The following commentary compares 31 December 2019 Actual results to 31 December 2018 Actual results*** Supply, Corporate and Overheads achieved an Underlying EBITDA (RC) of ($333.3M) compared with ($528.2M) for the prior comparative period, a increase of $194.9M. In addition to the factors commented on above, the period-on-period variance was impacted by the adoption of AASB16 *Leases* which resulted in operating lease expenditure of $251.2M (2018: $240.5M) being reclassified as interest expense and reduction in lease liability.
2. Revaluation gain/(loss) 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 period a gain of $43.1M was recognised, $1.7M of which remained unrealised at 31 December 2019. This gain was recorded primarily as a result of successful foreign exchange management which exhibited volatility within the period, some of which is reported as part of net inventory gain/loss.	
3. Depreciation and Amortisation	Depreciation and amortisation includes $196.4M relating to leases previously accounted for as operating, now classified as depreciation with the adoption of AASB16 *Leases.* Depreciation and amortisation excluding the impact of AASB16 has increased by $29.6M compared to the prior comparative period primarily as a result of a large number of assets under construction in 2018 completing and commencing deprecation in 2019 combined with the additional amortisation of the one off payment of $137M made to Coles Express in relation to the renegotiated and extended Alliance agreement.	
4. Net inventory gain/(loss)	Net inventory gain/(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.	
5. Net finance costs	Net finance costs consisted of interest income, interest expense on borrowings, fees associated with trade finance instruments, finance costs associated with finance leases, amortised financing transaction costs and the unwind of discounting on balance sheet provisions. Finance costs associated with finance lease includes $154.6M relating to leases previously accounted for as operating, now classified as finance with the adoption of AASB16 *Leases.*	

Operating and financial review (continued)

2019 Business Performance Summary (continued)

Summary Statement of Profit and Loss Analysis	
5. Net finance costs (continued)	Finance costs excluding the impact of the adoption of AASB16 *Leases* decreased by $5.6M compared to the previous period due to lower average net debt during the period combined with reduced charges from the unwinding of provisions.
6. Income tax expense and one-off 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 effective tax rate of the current period (excluding the impact of the $8.2M significant one-off gain) was 33.6% due primarily to the non-deductibility of the $137.0M payment to Coles Express under the extended Alliance agreement. The significant one-off gain of $8.2M relates primarily to an adjustment to the impact of the formation of a new tax consolidated group in 2018 associated with the finalisation of the outcomes of tax consolidation after lodgement of the FY2018 tax return. The treatment of this item as significant one-off is consistent with the treatment of the initial impact on formation of the tax consolidated group recorded in the results for the full year ended 31 December 2018.
7. Significant one-off items (net of tax)	Significant items include the impact of a revision to of the Group's Asset Retirement Obligation (ARO) provision due to changes made to underlying estimates ($3.0M) together with the gain recognised on revaluation of the Liberty Oil Holdings ("LOH") investment as part of the accounting for the acquisition of the remaining 50% share of the LOH group ($1.0M).
8. Underlying Net Profit After Tax (RC)	The Underlying Net Profit After Tax (RC) of $135.8 million is lower than FY2018 due to the lower Underlying EBITDA (RC) relating to each of the segments, reduced share of profit from associates and higher depreciation and amortisation. Reduced finance costs and gains of FX and oil derivative revaluations assisted in partly offsetting these impacts. The Underlying NPAT (RC) result is in line with the guidance update provided to the market on 9 December 2019.

Summary Statement of Financial Position

	(A$M)	FY2019 Actual	FY2018 Actual	Variance
1.	Working capital	197.4	268.0	(70.6)
2.	Property, plant and equipment	1,474.8	1,471.3	3.5
3.	Right-of-use assets	2,328.1	-	2,328.1
4.	Intangible assets	657.0	432.5	224.5
5.	Investment in associates	641.8	664.9	(23.1)
6.	Net debt (excluding lease liabilities)	(137.4)	0.2	(137.6)
7.	Lease liability	(2,448.3)	(50.8)	(2,397.5)
8.	Long term provisions, other assets and liabilities	(155.5)	(143.6)	(11.9)
9.	Net deferred tax asset	166.0	136.6	29.4
10.	**Total equity**	**2,723.9**	**2,779.1**	**(55.2)**

Operating and financial review (continued)

2019 Business Performance Summary (continued)

Summary Statement of Financial Position Analysis

1. Working capital

Working capital decreased primarily as a result of the receipt of tax refunds during the year and the re-classification of lease related prepayments to right-of-use assets offset in part by the combined overall net effect of an increase in average benchmark crude and refined product prices of A$18.7/BBL between December 2018 and December 2019.

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 during the year as a result of expenditure and other additions ($162.1 million) and PPE acquired through the acquisition for the remaining 50% of Liberty Oil Holdings Pty Limited ($21.8 million). Offsetting these increases were depreciation of $128.1 million, disposals of $9.1 million, transfers of completed software projects to intangibles of $3.4 million and the re-classification of $39.8M existing finance leased assets to Right-of-use assets on adoption of AASB16 *Leases*. A breakdown of capital expenditure by segment is outlined below.

(A$M)		FY2019 Actual	FY2018 Actual	Variance
a.	Retail, Fuels & Marketing	18.4	45.9	(27.5)
b.	Refining	88.5	84.5	4.0
c.	Supply, Corporate and Overheads	54.8	110.9	(56.1)
		161.7	**241.3**	**(79.6)**

a. Retail, Fuels & Marketing

Retail, Fuels and Marketing capital expenditure of $18.4M is lower than FY2018 predominantly due to a lower number of retail site developments completed compared with the prior period as the Group focused on optimising the existing network post the Alliance re-set. The prior comparative period included additional tank replacements and the conclusion of the Shell brand refresh project.

b. Refining

Refining capital expenditure in FY2019 at $88.5M was higher than FY2018 primarily due to higher costs relating to the turnarounds on the sulphur recovery units. The total spend includes significant projects such as the Bitumen Manufacturing Complex enhancement to improve the efficiency of the bitumen plant and deliver the full benefits of the Bitumen Import/Export facility project to enable additional Bitumen production, the commissioning of a new 25ML Gasoline tank to enable more efficient operations and export logistics, and the Distributed Controls Systems project to upgrade the computerised controls system for automated processes at the refinery.

c. Supply, Corporate and Overheads

Supply Chain and Corporate capital expenditure of $54.8M on was lower than FY2018 primarily due to the Clyde terminal conversion project and ERP implementation project that were both completed in FY2018.

Operating and financial review (continued)

2019 Business Performance Summary (continued)

Summary Balance Sheet Analysis	
3. Right-of-use assets	As a result of the adoption of AASB16, from 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability is recorded at the date at which the leased asset is available for use by the Group. The right-of-use asset recognised on 1 January 2019 is $23.6M less than the corresponding lease liability as the balance of prepaid leases and straight-line provisions held in the balance sheet at the date of adoption were transferred to the right-of-use asset account on adoption of the Standard. The Group recognised $2.4B on adoption of the Standard and has subsequently amortised $199.1M of the amount through the consolidated statement of profit or loss. Amortisation is recognised on a straight-line basis over the life of the right-of-use asset.
4. Intangible assets	Intangible assets increased by $224.5M during the period primarily due to the $137.0M payment made to Coles Express as part of the arrangement to extend the Alliance agreement and the recognition of Goodwill ($97.5M) and other intangibles ($15.0) on acquisition of the remaining 50% of Liberty Oil Holdings Pty Limited. Also contributing to the increase is the capitalisation of software projects ($3.4M). Amortisation charges of $28.5M were recognised during the year.
5. Investment in Associates	Investments in associates decreased by $23.1M during the year primarily due to the acquisition of the remaining 50% of Liberty Oil Holdings Pty Limited ("LOH") on 1 December 2019, resulting in a derecognition of the existing 50% investment in the wholesale business. The investment balance relating to the Liberty retail business ($15.5M) remains in the balance sheet as an equity accounted investment. This balance also includes Viva Energy's investment in the Viva Energy REIT and Westside Petroleum. 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 in 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	Finance lease liability has increased significantly due to the adoption of AASB16 *Leases* on 1 January 2019. Refer to Note 13 *Leases* in the financial statements for further analysis of the impact.
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; (ii) long-term environmental provisions; and (iii) provisions associated with lease straight lining on lease obligations with Viva Energy REIT (2018 only). The increase of $11.9M during the year primarily represents the recognition of a long-term payable to Coles Express of $91.9M (present value) in relation to the transfer of inventory which took place at the time of the Alliance Agreement Amendments that took effect 1 March 2019. This was offset in part by the derecognition of the lease straight-line provision of $66.4M on adoption of AASB16 *Leases* and the recognition of a receivable from LOC Global Pty Limited, an associate of the Group.

Operating and financial review (continued)

2019 Business Performance Summary (continued)

Summary Balance Sheet Analysis	
9. Net deferred tax asset	Net deferred tax asset relate to the tax effected difference between the carrying value of assets and liabilities recorded under accounting and those recorded for tax purposes. The increase in net deferred tax assets of $29.4M was due to adjustments in the current period connected with the significant one-off gain of $8.2M, combined with 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. The significant one-off gain of $8.2M relates primarily to an adjustment to the impact of the formation of a new tax consolidated group in 2018 associated with the finalisation of the outcomes of tax consolidation after lodgement of the FY2018 tax return. The treatment of this item as significant one-off is consistent with the treatment of the initial impact on formation of the tax consolidated group recorded in the results for the full year ended 31 December 2018.
10. Total Equity	Total equity decreased by $55.2M primarily due to the payment of dividends during the year ($134.2M) offset in part by NPAT (HC) of $113.3M. Dividends were paid with reference to Distributable NPAT (RC) of $153.0M for FY2019. Other transactions impacting reserves were the exercising of options by senior management, the recognition of the remeasurement of retirement benefit obligations, unrealised losses on cashflow hedges recognised by Viva Energy REIT, tax adjustments relating to the transaction costs recognised from the IPO and the purchase of Viva Energy shares in preparation for the exercising of options by executives in early 2020.

Operating and financial review (continued)

2019 Business Performance Summary (continued)

Summary Statement of Cash Flows

	(A$M)	FY2019 Actual [1]	FY2018 Actual [1]	Variance
	Profit before interest, tax, depreciation and amortisation (HC) before significant items	**696.4**	**485.6**	**210.8**
1.	*(Increase) in inventories*	*(172.9)*	*(46.1)*	*(126.8)*
2.	*(Increase) in receivables & prepayments*	*(2.2)*	*(83.5)*	*81.3*
3.	*Increase in payables*	*70.2*	*299.6*	*(299.4)*
	Increase in long-term payables	*91.9*	*-*	*91.9*
4.	*(Decrease) in provisions*	*(19.9)*	*(24.4)*	*4.5*
	Changes in working capital	(32.9)	145.6	(178.5)
5.	Non-cash items in profit before interest, tax, depreciation and amortisation	(54.5)	(95.5)	41.0
	Operating free cash flow before capital expenditure	**609.0**	**535.7**	**73.3**
	Capital expenditure	(161.7)	(241.3)	79.6
6.	Coles Express Alliance payment	(137.0)	-	(137.0)
7.	Net payment for share options exercised	(20.0)	-	(20.0)
	Proceeds from sale of PP&E and intangibles	0.3	17.5	(17.2)
	Dividends received from associates	40.8	37.5	3.3
	Net free cash flow before financing, tax and dividends	**331.4**	**349.4**	**(18.0)**
	Significant one-off items	-	38.6	(38.6)
	Net loans to Associates	4.1	(3.5)	7.6
8.	Finance costs	(180.3)	(28.0)	(152.3)
	Acquisition of Liberty Oil Holdings net of cash	(24.8)	-	(24.8)
9.	Net Income tax payments	(26.2)	(280.1)	253.9
10.	Dividends paid	(134.2)	-	(134.2)
8.	Repayment of lease liability	(106.2)	-	(106.2)
	Net cash flow before borrowings	**(136.2)**	**76.4**	**(212.6)**
	Net drawings/(repayment) of borrowings	147.1	(132.5)	279.6
	Net cash flow	**10.9**	**(56.1)**	**67.0**
	Opening net debt	**0.2**	**(74.6)**	**74.8**
	Amortisation of capitalised borrowing costs	(1.4)	(1.6)	0.2
	Closing net debt	**(137.4)**	**0.2**	**(137.6)**
	Change in net debt	**(136.2)**	**76.4**	**(212.6)**

[1] The adoption of AASB16 Leases on 1 January 2019 resulted in the reclassification of current period operating lease expenditure from operating cash to finance costs and repayment of lease liability. The 2018 cash flow results reflect classification under the previous leasing standard.

Operating and financial review (continued)

2019 Business Performance Summary (continued)

Summary Statement of Cash Flows Analysis	
1. Increase in inventories	Inventory increased as a result an increase in average benchmark crude and refined product prices of A$18.7/BBL offset in part by reduced closing stock levels. Also driving the increase is the recognition of $97.9M of inventory as a result of the return of fuel stock at the time of the Alliance reset.
2. Increase in receivables & prepayments	Receivables and prepayments increased as a result of an increase in average benchmark crude and refined product prices of A$18.7/BBL between December 2018 and December 2019. Offsetting part of the increase is the transfer of $50.1M of prepaid head lease expenditure to right-of-use assets on adoption of AASB16 *Leases*.
3. Increase in payables	Payables increased as a result of increased purchase terms largely align with customer receivable terms combined with an increase in benchmark crude and refined product prices of A$18.7/BBL between December 2018 and December 2019.
4. Decrease in provisions	This relates to payment of annual and long service leave entitlements, settlement of environmental provisions and change in lease straight-lining provisions. With the adoption of AASB16 *Leases* the lease straight-line provision held at 31 December 2018 was offset against the right-of-use asset on 1 January 2019.
5. Non-cash items	Profit before interest, tax, depreciation and amortisation (HC) before significant items includes certain non-cash items including share of profit of associates of $60.2 million and loss on sale of assets ($1.9M), non-cash employee options taken up in reserves ($2.2M) and offset by other minor items totalling $1.7 million.
6. Coles Express Alliance payment	In consideration of the changed commercial terms under the Alliance agreement as announced on 6 February 2019, the Group made a one-off payment of $137.0M to Coles Express.
7. Net payment for share options exercised	During the period 7,882,734 share options were exercised by senior management in relation to the Legacy LTI plan. The Company chose to acquire shares on market to effect this rather than issue new equity. Shares were also purchased prior to year-end in anticipation of the exercising of 7,113,691 options by senior management in early January 2020.
8. Finance costs and Repayment of lease liability	Finance costs and repayment of lease liability have increase year-on-year predominately due to the adoption of AASB16 *Leases*, which resulted in lease payments now being classified as finance costs and reduction in finance lease liability.
9. Net Income tax payments	Monthly tax instalments totalling $95.5M were paid during the period based on prior year assessments prior to the receipt of tax refunds totalling $69.3M upon lodgement of the FY2018 tax return which was completed during July 2019.
10. Dividends paid	On 15 April 2019 the Company paid a fully-franked dividend of 4.8 cents in relation to the six months ended 31 December 2018 ($93.3M) and on 14 October 2019 paid a fully-franked dividend of 2.1 cents in relation to the six months ended 30 June 2019 ($40.9M).

Operating and financial review (continued)

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.

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.

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
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 Total Shareholder Returns (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. Having regard to the current threat from coronavirus disease (COVID-19), we note this has not yet had a material impact on operations or financial results, however could do so in the event of substantial expansion of the issue. In addition to the impacts on operations, it could also impact financial results should it lead to a decline in demand for our produces, or effect the credit position of our customers (amongst other matters)	Supply Chain • 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. Refinery • The Geelong Refinery has a proactive monitoring, inspection and preventative maintenance program to manage the risk of HSSE incidents and unplanned plant outages. • 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. • Specific actions to address the current COVID-19 outbreak include restrictions on international travel to effected jurisdictions, which is until advised otherwise, considered non-essential for Viva Energy employees and will not be approved. • We are also monitoring and vetting international shipping and procurement activities, and providing regular updates to all employees, including current advice from the Department of Health.

Operating and financial review (continued)

Risk Management (continued)

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). 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 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 to 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.
HSSE risks	
Processing, transportation and storage of crude oil and petroleum products, and the operation of the Geelong Refinery and fuel storage facilities, includes 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; and • HSSE performance is one of our key performance indicators that is actively measured and reported to the Board.

Operating and financial review (continued)

Risk Management (continued)

Strategic Risk	Our Response
Key strategic relationships and third party branding	
We have a number of key business and operational relationships, including with Coles Express, Shell, Vitol and Viva Energy REIT. 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, including through board representation on the Viva Energy REIT; • 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.
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 require action to address mitigation and adaption requirements related to climate change. Physical risk is the risk flowing from acute events or chronic longer terms shifts in climate patterns resulting from climate change that may affect the Group's business model in the foreseeable future. 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); and • physical impacts on our assets.	• 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. In 2020 we intend to expand this work in alignment with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD); • 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. • We also conduct physical impact assessments on our assets, to understand the potential impacts of changing weather and climate events; • We are a member of the Australian Industry Greenhouse Network (AIGN). AIGN is a network of industry associations and individual businesses which contribute to the climate change policy debate 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).

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 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 coronavirus diseases (COVID-19) situation highlights the risk that an outbreak could have an impact on demand for our product, particularly if there is a significant and prolonged period of reduced travel. 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.
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.

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 the NSW Biodiversity Conservation Trust, and Chairman of Re Group Pty Limited.

Board Committee memberships

- Chair of the Remuneration and Nomination Committee
- Member of the HSSEC 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 relocated to Australia in 2006 as Distribution Manager (Australia and New Zealand) and in 2009 was appointed General Manager of Supply and Distribution Australia. In July 2013, he was appointed Vice President Downstream Australia, responsible for the downstream businesses in Australia. Scott was appointed as CEO in August 2014.

Scott serves as Chairman of the Australian Institute of Petroleum (since January 2020).

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 board of Singapore Symphonia Company 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 Home Consortium (since 2019), GrainCorp (since 2019) and Energy Australia (since 2012). She is a former Board member of Healthscope Limited (2016 to 2019), Cogstate Limited (2017 to 2019), Civil Aviation Safety Authority (2018 to 2019) and Port of Melbourne (2018 to 2020). Jane is also a board member of the Allens Advisory Board.

Board Committee memberships

- Chair of the HSSEC 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 member of ASIC's Director Advisory Panel, as 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).

Board Committee memberships

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

Board of Directors (continued)

Hui Meng Kho

Non-Executive Director

BSc (Chemical Engineering) (Hon)

Term of office

Appointed to the Board on 18 June 2018. Formerly a Non- Executive Director of Viva Energy Holding Pty Limited (23 June 2014 to 17 July 2018).

Skills and experience

Hui Meng Kho is 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 has 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.

Hui Meng is currently a director of Boustead Petroleum Sdn Bhd (formerly BP Malaysia) and on the Board of Trustees of Singapore Management University.

Hui Meng was conferred the title 'Dato' by the Ruler of the Malaysian state of Pahang in 2004.

Board Committee memberships

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

Leadership team

Scott Wyatt – Chief Executive Officer

Jevan Bouzo – Chief Financial Officer

Daniel Ridgway – Chief Operating Officer

Amanda Fleming – Chief People and Technology Officer

Megan Foster – Executive General Manager, Retail

Thys Heyns – Executive General Manager, Geelong Refinery

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. Megan Foster joined the team as Executive General Manager, Retail and brings over 25 years' experience in retail. Megan succeeded Daniel Ridgway, who took on the newly created role of Chief Operating Officer in January 2019.

Jodie Haydon, General Manager People and Culture left the Company in June 2019, after almost 25 years with the business. Succeeding Jodie and taking on additional responsibilities for technology and digital, Amanda Fleming joined the team as Chief People and Technology Officer in October 2019. Amanda brings over 20 years' experience across retail, Fast Food and FMCG leading business-wide transformations.

We also announced the following changes that will take effect from the end of March 2020.

Dan Ridgway, Chief Operating Officer, has decided to leave the Company after more than 22 years with the business, The Board extend their appreciation to Dan for his significant contribution to the business during his many years of service.

Thys Heyns will step down as Executive General Manager, Refining, and will take on the role of Chief Operating Officer. Dale Cooper will join the Company and the executive team as Executive General Manager, Refining. Dale brings more than 30 years' experience in the refining sector.

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 2019 Remuneration Report.

This report outlines the Group's Director and executive remuneration frameworks, and how they contribute to the execution of our business strategy. This report also describes the legacy remuneration arrangements that were put in place under previous ownership, and explains the Board's approach to ensuring continuity of management as the legacy arrangements expire.

Our executive remuneration framework is designed to facilitate long-term sustainable growth of your Company. This means we need to ensure levels of remuneration are sufficient to attract and retain suitably qualified individuals focused on Board priorities. Our performance conditions and measurement timeframes are consistent with the objective of long-term sustainable growth. Our variable remuneration has vesting periods and a deferred equity component designed to align the interests of our executives with shareholders and promote appropriate risk management aligned with the longer-term nature of the Company's capital investment.

The Company delivered strong top line sales volumes in the year ended 31 December 2019 (FY2019), up approximately 4.6% on 2018. This was largely driven by restoration of growth in the retail Alliance channel, continued growth in the Liberty and wholesale businesses, and solid sales performance in commercial segments. Refining operating performance was also strong, with periods of record production.

Earnings were heavily impacted by weak regional refining margins, lower retail market margins as a result of oil price volatility and heightened competition, and increased supply chain costs which could not be immediately recovered under commercial contracts. For FY2019, the Company reported an Underlying EBITDA (RC) of $387.1[4] million, which is down $141.8 million on the prior year.

Notwithstanding these financial outcomes, good progress has been made on our strategic priorities, including the renegotiation of the retail Alliance agreement with Coles, subsequent sales recovery through this retail channel in the second half of FY2019, the full acquisition of the Liberty Wholesale business, retention and acquisition of key commercial contracts and improvements in refining production capability. These initiatives provide a strong platform for future growth as market conditions improve.

There is a gateway condition that applied to our executive Short Term Incentive (STI) plan for 1H2019, as set out in our Initial Public Offering (IPO) Prospectus (Prospectus), which required achievement EBITDA (RC) of $322.9 million in 1H2019. Our actual EBITDA (RC) in 1H2019 was $171.6 million. Given that we did not meet the gateway condition in 1H2019 and in light of the overall financial performance of the Company in FY2019, it has been agreed that no reward will be provided to the Key Management Personnel (KMP) in respect of the 2019 STI plan.

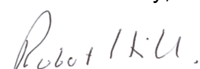
In response to feedback received from shareholders on our 2018 Remuneration Report, we have provided additional disclosures in this year's report on performance against the FY2019 STI plan performance conditions, notwithstanding that the gateway obligations were not met and no reward will be provided under that plan.

The Legacy LTI arrangements were put in place by the previous owner, before the Company listed on ASX. These arrangements provided significant value for executives to ensure a continuity of management post-IPO. While these arrangements remained on foot, the total annual remuneration of our KMP was set at levels considerably below market median in recognition of the value of the Legacy LTI arrangements for our executives. The last tranche of Legacy LTI options held by the CEO and COO vested in January 2020. The CFO continues to hold vested and unvested Legacy LTI options that will expire in January 2022. As the Legacy LTI arrangements expire, the Board considers that competitiveness of our remuneration is at the low end of the spectrum. The Board keeps executive remuneration under constant review to ensure this remains appropriate, that we set remuneration levels and have in place an appropriate structure and mix of remuneration elements to maintain management continuity and focus executives on the long-term sustainable growth of your Company.

The Board approved an adjustment to the Chief Financial Officer's remuneration arrangements which was effective 1 March 2019. The Board approved other changes that will take effect in 2020 – these changes to remuneration levels and to the remuneration framework are outlined in this report.

Our continued intention is to encourage open dialogue with shareholders and other stakeholders, particularly around our remuneration practices and disclosures, and accordingly I welcome your feedback.

Yours faithfully,



Robert Hill

[4] Financial results discussed in this letter are reported based on AASB117 *Leases*, the superceded accounting standard so performance with prior periods can be compared on a like-for-like basis

Remuneration Report (continued)

1. Overview

1.1 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 FY2019, the KMP were the Non-Executive Directors of the Company, the Chief Executive Officer (CEO), the Chief Financial Officer (CFO) and the Chief Operating Officer (COO).

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 FY2019. To provide shareholders with a complete overview of those remuneration arrangements, information on the Legacy LTI arrangements that impacted KMP remuneration during FY2019 are also disclosed.

1.2 Details of KMP

The following individuals were KMP of the Company in 2019.

Non-Executive Directors		
Name	**Title**	**Commencement as KMP**
Robert Hill	Chairman and Independent Non-Executive Director	18 June 2018
Arnoud De Meyer	Independent Non-Executive Director	18 June 2018
Dat Duong	Non-Executive Director	7 June 2018
Hui Meng Kho	Non-Executive Director	18 June 2018
Jane McAloon	Independent Non-Executive Director	18 June 2018
Sarah Ryan	Independent Non-Executive Director	18 June 2018
Executives		
Name	**Title**	**Commencement as KMP**
Scott Wyatt	Chief Executive Officer	7 June 2018
Jevan Bouzo	Chief Financial Officer	7 June 2018
Daniel Ridgway	Chief Operating Officer	1 January 2019

2. Remuneration governance

2.1 Role of the Board

The Board, with the guidance of the Remuneration and Nomination Committee, 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.

2.2 Role of the Remuneration and Nomination Committee

The Board has established a Remuneration and Nomination Committee to assist the Board in fulfilling its responsibilities for governance and oversight of remuneration related matters.

The Remuneration and Nomination Committee is comprised of three Non-Executive Directors, being Robert Hill (Chair), Hui Meng Kho and Arnoud De Meyer, the majority of whom are Independent Directors.

Remuneration Report (continued)

2. Remuneration governance (continued)

2.2 Role of the Remuneration and Nomination Committee (continued)

The Remuneration and Nomination Committee's responsibilities include nomination 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 our Remuneration and Nomination Committee Charter is available on our website at www.vivaenergy.com.au.

2.3 Use of remuneration consultants

The Remuneration and Nomination Committee 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. Remuneration consultants are engaged directly by the Remuneration and Nomination Committee.

In 2019, no remuneration recommendations were received from remuneration consultants as defined under the *Corporations Act 2001*.

3. Executive remuneration overview

3.1 Executive remuneration objectives

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

1. Drive sustainable value creation for our shareholders;
2. Drive appropriate behaviours and culture;
3. Attract and retain high-calibre talent; and
4. 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 provide incentives that focus the leadership team on achieving long-term sustainable growth. The Board reviews the executive remuneration objectives and levels on an annual basis.

Recognising the value and retentive impact of the Legacy LTI arrangements in place for some executives, the Board has set fixed annual remuneration, STI and long term incentive (LTI) opportunities for executives subject to those arrangements, including all KMP, at levels that are lower than the median of companies that are comparable in terms of size, complexity and industry to the Company. As the Legacy LTI arrangements expire, the Board will continue to review the overall remuneration mix to ensure management continuity, motivation and engagement beyond the expiration or vesting of the Legacy LTI arrangements. An adjustment was made to the CFO's fixed remuneration during FY2019 as part of the Board's ongoing review and further changes will be made in respect of 2020 remuneration arrangements as discussed later in this report.

The 2019 executive remuneration framework is summarised below.

Remuneration Report (continued)

3. Executive remuneration overview (continued)

3.1 Executive remuneration objectives (continued)

2019 Executive remuneration framework

Component	Delivery vehicle		Performance measures	Linktostrategy
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 the final tranches of the Legacy LTI awards either vest or expire, the Board intends to set FAR at a market competitive level with regard for 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	For any reward to be granted, a gateway condition requiring the Company's 1H2019 underlying EBITDA (RC) to be $322.9M[5] needed to be satisfied. If that gateway condition is satisfied, the reward received would have been based on performance against a scorecard of performance measures focused on group financial (50%), strategic and operational excellence (30%), safety and environment (10%), and people (10%) outcomes.	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) – reward long-term performance and value creation for shareholders	Performance Rights, allocated at face value with vesting tested after a three year performance period.		Vesting of the Performance Rights is based on performance against a scorecard of performance conditions achieved 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.
Legacy LTI (historic plan) – reward for long-term value creation	Options vested on 1 January 2020. Additional tranches held by the CFO only, due to vest on 1 January 2021 and 1 January 2022.		The Legacy LTI previously acted to motivate executives to transform and grow the value of the Company through to a potential exit event (such as listing on the ASX). The program continues to provide retention value for the CFO as any unvested tranches of options will be forfeited on resignation. No further grants will be made under this plan.	

Minimum shareholding policy – The Board has adopted a minimum shareholding policy which requires each member of KMP (other than Non-Independent, Non-Executive Directors), to accumulate a minimum shareholding of equivalent to 100% of their fixed annual remuneration within five years of the date on which they become 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.

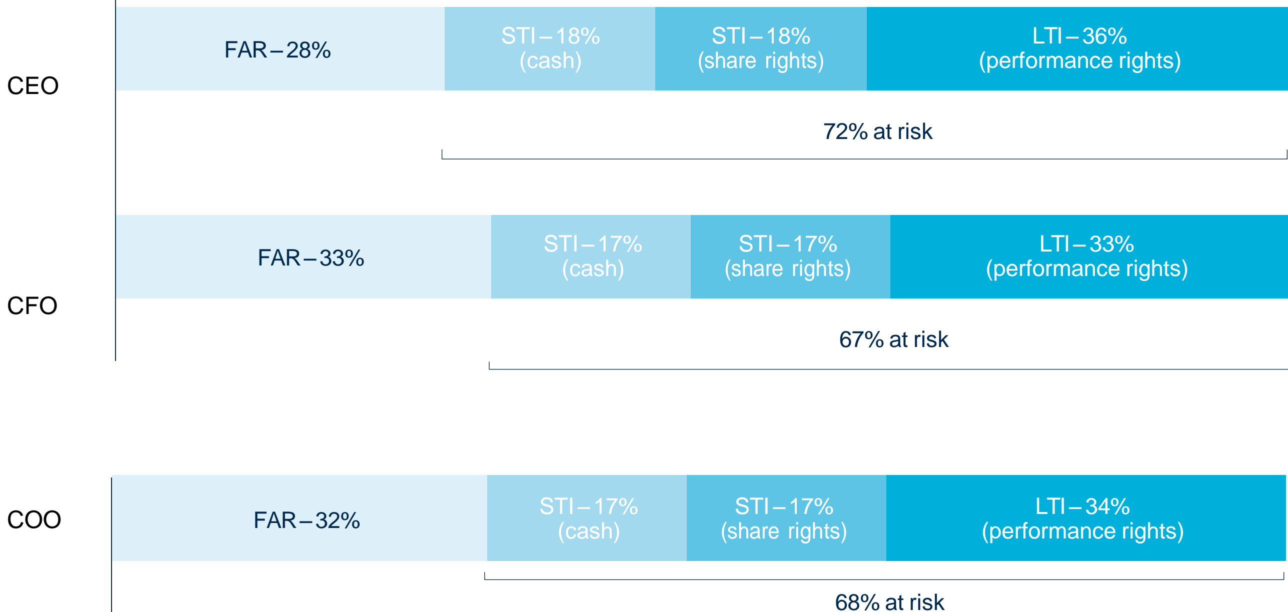
[5] Unless stated otherwise, financial results discussed in this section are reported based on AASB117 *Leases*, the superceded lease accounting standard so performance with prior periods can be compared on a like-for-like basis.

Remuneration Report (continued)

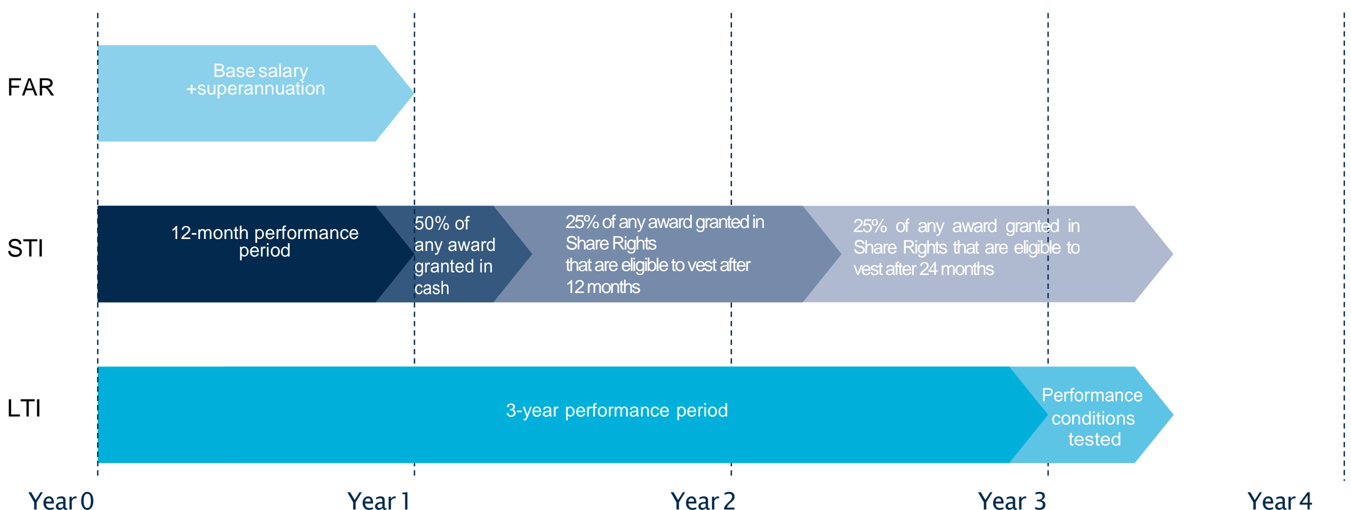
3. Executive remuneration overview (continued)

3.2 Executive remuneration mix in FY2019

The weighting of each remuneration component of an executive's total remuneration opportunity in FY2019 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 diagram sets 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 FY2019.



3.3 Executive remuneration delivery timeline – 2019 awards



4. Remuneration framework

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

4.1 Fixed Annual Remuneration (FAR)

FAR is comprised of base salary and superannuation.

Remuneration Report (continued)

4. Remuneration framework (continued)

4.2 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 conditions, 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 2019 STI Plan is set out below. No award was provided under the 2019 STI plan as the gateway condition was not met.

Opportunity	**CEO** • Target: 67% of FAR • Maximum: 134% of FAR	**CFO** • Target: 50% of FAR • Maximum: 100% of FAR	**COO** • Target 54% of FAR • Maximum 107% of FAR
Performance period	Performance was assessed over a 12-month period from 1 January 2019 to 31 December 2019.		
Performance gateway	Prospectus forecast Underlying EBITDA (RC) for 1H2019 of $322.9 million was required to be met before any STI payment would be made.		

Performance conditions

Category	Weighting	Measures	Objective
Safety & environment	10%	• LTIF (lost time injury frequency) • Spills > 100kg • API tier 1 & 2 incidents[1]	Build a generative safety culture.
People	10%	• Employee engagement • Voluntary attrition • Women in management and leadership	Build a highly engaged workforce focused on delivering high quality results.
Financial	50%	• Underlying EBITDA • Net profit after tax • Free cash flow (pre finance/ tax/dividends)	Deliver sustainable shareholder returns and consistent operating cash flows.
Strategic & operational excellence	10%	**Retail** • Sales volume • Net new sites • Underlying EBITDA (divisional)	Expand retail network, grow the Alliance, and increase premium penetration.
	10%	**Commercial** • EBITDA from new accounts • Sales volume • Underlying EBITDA (commercial)	Retain and grow quality accounts and sustained earnings through focus on value-led proposition.
	10%	**Refining** • Intake • Availability • Underlying EBITDA (Geelong Refinery)	Increase intake towards nameplate, sustained reliability, and improved productivity.

[1] *LTIF and API Tier 1 and 2 measures are industry standard safety performance metrics that reflect personal safety and process safety performance (respectively).*

Remuneration Report (continued)

4. Remuneration framework (continued)

4.2 Short Term Incentive (STI) (continued)

Delivery	If any award was provided, it would have been provided: • 50% in cash; and • 50% in Share Rights, with 50% of those Share Rights eligible to vest 12 months after the cash component is paid and the other 50% eligible to vest 24 months after that date. A Share Right entitles the participant to receive one ordinary share for nil consideration if the Share Rights vest.
Voting and dividends entitlements	Share Rights do not carry dividend or voting rights prior to vesting.
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 employment due to special circumstances (including death, terminal illness or disablement), any unvested Share Rights held by such participants will remain on foot and subject to the original vesting conditions (other than any vesting condition relating to continued employment with Viva Energy), 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 Share Rights will automatically lapse.
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.

4.3 Long Term Incentive (LTI)

Viva Energy has established a LTI plan to assist in the attraction, motivation, retention and reward of eligible employees.

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.

The CEO, CFO and COO were granted Performance Rights under the LTI Plan in 2019 details of which are set out below.

Opportunity	**CEO** • Maximum: 134% of FAR	**CFO** • Maximum: 100% of FAR	**COO** • 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 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.		

Remuneration Report (continued)

4. Remuneration framework (continued)

4.3 Long Term Incentive (LTI) (continued)

Grant value

Performance Rights were granted on 31 May 2019 using face value methodology.

The number of Performance Rights awarded to each participant in 2019 was calculated by dividing the dollar value of their maximum LTI opportunity by $2.2173, being the volume weighted average price of the Company's shares on the ASX over the period from 13 July 2018 (date of ASX listing) to 31 December 2018. This amounted to:

- Scott Wyatt: 541,198 Performance Rights.
- Jevan Bouzo: 270,599 Performance Rights
- Daniel Ridgway: 270,599 Performance Rights.

Performance conditions

Performance condition	Weighting	Measures	Objective
Total Shareholder Return (TSR)	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.
Free Cash Flow (RC) (FCF)	25%	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 directly encourages 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.
Return on Capital Employed (RC) (ROCE)	25%	Underlying EBIT (RC) divided by average capital employed (total Shareholder's equity plus net debt) for each year.	This measure incentivises executives to undertake 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. As explained in the Operating and Financial review section of the Director's Report, 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 2019 to 31 December 2021. Vested Performance Rights will be automatically exercised.

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

Remuneration Report (continued)

4. Remuneration framework (continued)

4.3 Long Term Incentive (LTI) (continued)

Components

Performance Rights which have not lapsed will vest following the end of the Performance Period, this being post 31 December 2021.

TSR component

The percentage of Performance Rights comprising the 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:

Viva Energy's 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:

Viva Energy's 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:

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

Remuneration Report (continued)

4. Remuneration framework (continued)

4.3 Long Term Incentive (LTI) (continued)

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.

4.4 Claw back and preventing inappropriate benefits

Under the rules governing the STI and LTI plans, the Board has power to 'claw back' 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 issued in connection with the Company's Initial Public Offer (**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.

The Board recognises that the value delivered under the Legacy LTI is significant, and draws shareholders' attention to the following matters that are relevant:

- the Board imposed a mandatory escrow period to shares received on exercise of the Legacy LTI to ensure management's continued alignment with shareholder interests; and
- executives will forfeit unvested Legacy LTI Options they hold if they leave the Company before vesting. This condition was included to minimise the risk of leadership turnover in the important period following IPO.

The table below sets out the outstanding options issued under the Legacy LTI held by the KMP as well as the key terms.

Legacy LTI options	Scott Wyatt	Jevan Bouzo	Dan Ridgway
Number held as at 31 December 2019	2,883,928 options	1,538,095 options	1,345,834 options
Grant date	26 April 2016	25 October 2017	26 April 2016
Exercise price	A$0.82 per option	A$1.21 per option	A$0.82 per option

Remuneration Report (continued)

4. Remuneration framework (continued)

4.5 Legacy LTI (continued)

Legacy LTI options	Scott Wyatt	Jevan Bouzo	Dan Ridgway
Vesting schedule and expiry	2,883,928 options vested on 1 January 2020 and were exercised.	• 384,523 options vested on 1 January 2019 and remain unexercised; • 384,524 options vested on 1 January 2020 and remain unexercised • 384,524 options are scheduled to vest on 1 January 2021 with the remaining 384,524 scheduled to vest on 1 January 2022, subject to continued employment with Viva Energy and the terms of the Legacy LTI. Each of the Legacy LTI options will expire at 5.00pm on 1 January 2022 unless exercised earlier.	1,345,834 options vested on 1 January 2020 and were exercised.
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, change of control and claw back	Legacy LTI options have the same treatment on cessation of employment, and change of control provisions as the Share Rights described in section 4.2 above, and the same claw back provisions as described in section 4.4.		

4.6 Other legacy arrangements

Jevan Bouzo also participated in a Legacy LTI arrangement in his capacity as Head of Finance and Treasury (the role he occupied prior to taking on the role as CFO). This was a retention arrangement awarded in 2016 and assessed performance on both a company and individual level over the three-year period from 1 January 2016 to 31 December 2018. The face value of the award was $50,000, and the maximum potential award under this plan was $150,000. Each year, both a business performance factor and an individual performance factor were awarded. Receipt of a final award was subject to both continued employment, and achievement of a threshold set at an above-target performance level across the three years, to reward sustainable long-term performance. Following assessment of performance over the period, Jevan Bouzo was awarded $81,000 gross (54% of the maximum potential award), which was paid in April 2019 (one third of this award was recorded in the 2018 remuneration report).

4.7 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.

Remuneration Report (continued)

5. Performance outcomes

5.1 Short-term incentive outcomes – link to performance

As noted above, no payments were made under the 2019 STI plan to Executive KMP as the Underlying EBITDA (RC) gateway condition was not achieved (refer section 4.2). Nevertheless, the table below provides a summary of performance against the performance measures set out in the scorecard:

			2019 Outcome				
Measure	**Performance & reward alignment**	**Weighting (at target)**	**Below Threshold**	**Threshold**	**Target**	**Stretch**	**Outcome commentary**
Safety & Environment	Rewards a continuous focus on building a generative safety culture	10%		✓			Strong process safety performance, and while personal safety performance improved over the prior year, the level of personal safety incidents remains higher than the Company's aspirations.
People	Rewards for building a highly engaged workforce focused on delivery of high quality results	10%				✓	Continued improvements in employee engagement with good progress on improving gender diversity and broader organisational capability.
Financial	Deliver sustainable shareholder returns and consistent operating cash flows	50%	✓				Financial outcomes were impacted by weak regional refining, lower retail market margins, and increased supply costs which could not be immediately recovered from commercial contracts.
Retail	Expand retail network, grow the Alliance business, and increase premium penetration.	10%		✓			Renegotiated the Alliance agreement and improved retail price competitiveness which has restored growth in 2H2019. Acquired Liberty Wholesale and established Liberty Retail channel.
Commercial	Retain and grow quality accounts and sustained earnings through focus on value-led proposition	10%		✓			Retained and acquired key contracts, with solid sales performance despite slower economic conditions.
Refining	Increase intake towards nameplate, sustained reliability, and improved productivity	10%		✓			Strong operational and production performance, with periods of record production levels achieved.

Remuneration Report (continued)

5. Performance outcomes (continued)

5.2 Overview of business performance – 2-year comparison

The table below outlines the Company's financial performance for 2018 and 2019.

	2018		2019
	Actual[1]	Pro-forma[2]	Actual[3]
Revenue	$16,395.1 million	$16,395.1 million	$16,541.6 million
Underlying profit after tax (RC)	$293 million	$231.5 million	$135.8 million
Underlying EBITDA (RC)	$528.9 million	$774.6 million	$644.5 million
Issue price of IPO	$2.50	$2.50	$2.50
Closing share price at 31 December	$1.80	$1.80	$1.92
Dividend per share (fully franked)	4.8 cents	4.8 cents[4]	4.7 cents
Statutory earnings per share basic/diluted	29.8/29.4 cents	26.6 / 26.2 cents	5.8 / 5.7 cents
Underlying earnings per share	15.1 cents	11.9 cents	7.0 cents

1 Actual results achieved - reported based on AASB117, the old lease accounting standard
2 This shows the historical period as if accounting standard AASB16 (the new lease accounting standard) was in effect for the 2018 financial year
3 Actual results achieved – reported based on AASB16.
4 This is the final dividend for the six months ended 31 December 2018. No interim dividend was paid in 2018.

6. Statutory remuneration disclosures

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 'LTI' and 'Legacy LTI – share-based payment' columns are based on accounting values and do not reflect actual payments received in 2019.

		Short-term benefits					Post-employment	Long-term benefits					
		Salary and fees	2019 STI	Non-monetary benefits 1	Other (legacy discretionary) 2	Annual leave	Super-annuation	Long service leave 3	LTI 4	Legacy LTI cash payment[6] 5	Legacy LTI – share- based payment 6	Other (long term) 7	Total
Scott Wyatt	2019	$875,228	$0	$6,826	$0	$47,114	$20,772	($83,012)	$459,248	$0	$170,451	$0	$1,496,627
	2018	$622,396[8]	$0	$5,383	$0	$16,836	$35,152	($15,715)	$247,400	$4,447,832	$480,868	$0	$5,840,152
Jevan Bouzo	2019	$545,585[9]	$0	$2,297	$0	$11,134	$29,082	$9,649	$220,832	$0	$90,907	$0	$909,486
	2018	$361,961[10]	$0	$2,941	$400,000	($9,441)	$38,619	$0	$98,960	$264,610	$41,515	$27,000	$1,225,895
Dan Ridgway	2019	$539,228	$0	$3,320	$0	$11,069	$20,772	($22,113)	$241,614	$0	$79,544	$0	$873,434
	2018	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total	**2019**	**$1,960,041**	**$0**	**$12,443**	**$0**	**$69,317**	**$70,626**	**($95,476)**	**$921,694**	**$0**	**$340,902**	**$0**	**$3,279,547**
	2018	**$984,087**	**$0**	**$8,324**	**$400,000**	**$7,395**	**$73,771**	**($15,715)**	**$346,360**	**$4,712,442**	**$522,383**	**$27,000**	**$7,066,047**

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 Other (Legacy discretionary) represents a discretionary bonus paid for contribution to the Company's listing on the ASX. There is no intention to offer further discretionary bonuses as a listed company. The bonus relates to 2018 services provided pre-listing and was funded by the previous shareholder Vitol Investment Partnership (VIPL).
3 Scott Wyatt and Dan Ridgway's long service leave was negative in 2019 due to the leave taken being greater than the leave accrued in 2019.
4 2019 LTI represents the fair value of Performance Rights granted under the 2019 and 2018 LTI, calculated in accordance with accounting standards.
5 Legacy LTI Cash Payment made in 2018 represents the cash payment made to option holders upon completion of the IPO, calculated by reference to shareholder distributions over the vesting period.
6 Legacy LTI – share-based payment, represents the statutory expense recorded in the income statement for (i) the value of Legacy LTI options vesting across the period, calculated in accordance with accounting standards; and (ii) with respect to Legacy LTI Options that were cancelled or exercised at or around the IPO date, the associated employee expenses recognised on an accelerated basis.
7 Other (long term) represents an accrual under a long-term incentive arrangement recognising performance for the period 2016 – 2018. This relates to Jevan Bouzo's previous role of Head of Finance and Treasury. As further described in section 4.6, Jevan Bouzo received a total payment of $81,000 in April 2019 in relation to this incentive.

Remuneration Report (continued)

6. Statutory remuneration disclosures (continued)

8 Scott's Wyatt's total fixed remuneration (inclusive of base salary and superannuation) was increased from $448,000 to $896,000 from 13 July 2018. Actual base salary received was adjusted as required to account for changes to the maximum superannuation contributions base

9 Jevan Bouzo's total fixed annual remuneration (inclusive of base salary and superannuation) was increased from $448,000 to $600,000 from 1 March 2019. Actual base salary received was adjusted as required to account for changes to the maximum superannuation contributions base.

10 Amended to rectify a change to base salary received by Jevan Bouzo from 1 January 2018 where base salary was increased to $320,000 providing a total fixed remuneration (inclusive of base salary and superannuation) of $358,400. Total fixed remuneration was further increased to $448,000 from 13 July 2018.

7. Non-Executive Director remuneration

7.1 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.

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 $1.9 million per annum. Non-Executive Director fees paid in 2019 were within this cap.

7.2 Fee structure

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 Board committees comprise: Audit and Risk; Remuneration and Nomination; HSSEC and Investment

The fees paid to the Non-Executive Directors in 2019 are set out in the table below:

Non-executive Directors		Short-term benefits		Post Employment benefits	Other Long-term benefits	Total
		Salary and fees	Non-monetary benefits	Super-annuation	Other	
Robert Hill (Chairman)	2019	$379,228	-	$20,772	-	$400,000
	2018	$574,070	-	$10,266	-	$584,336
Hui Meng Kho*	2019	-	-	-	-	-
	2018	-	-	-	-	-
Dat Duong*	2019	-	-	-	-	-
	2018	-	-	-	-	-
Jane McAloon	2019	$214,612	-	$20,406	-	$235,018
	2018	$263,960	-	$10,874	-	$274,834
Arnoud De Meyer	2019	$217,500	-	$0	-	$217,500
	2018	$295,863	-	$0	-	$295,863
Sarah Ryan	2019	$214,612	-	$20,424	-	$235,036
	2018	$263,960	-	$10,874	-	$274,834
Total	**2019**	**$1,025,952**	**-**	**$61,602**	**-**	**$1,087,554**
	2018	**$1,397,853**	**-**	**$32,014**	**-**	**$1,429,867**

** Hui Meng Kho and Dat Duong have agreed to not receive any remuneration for their positions as Non-Executive Directors.*

Remuneration Report (continued)

8. Equity movements

8.1 Performance Rights and Legacy LTI option holdings

	Plan	Exercise Price (2)	Balance as at 1 January 2019		Granted as Remuneration (3)		Lapsed	Exercised (4)		Balance as at 31 December 2019	
			Vested	Unvested	No:	Value	No:	No:	Value	Vested	Unvested
Scott Wyatt	Legacy LTI options	$0.82	Nil	5,767,854	Nil	-	Nil	2,883,926	$4,902,674	Nil	2,883,928
	2018 LTI Performance Rights	$0.00	Nil	480,000	Nil	-	Nil	Nil	-	Nil	480,000
	2019 LTI Performance Rights	$0.00	Nil	Nil	541,198	$887,565	Nil	Nil	-	Nil	541,198
Jevan Bouzo	Legacy LTI options	$1.21	Nil	1,538,095	Nil	-	Nil	Nil	N/A	384,523	1,153,572
	2018 LTI Performance Rights	$0.00	Nil	192,000	Nil	-	Nil	Nil	-	Nil	192,000
	2019 LTI Performance Rights	$0.00	Nil	Nil	270,599	$535,786	Nil	Nil	-	Nil	270,599
Dan Ridgway	Legacy LTI options	$0.82	Nil	2,691,667	Nil	-	Nil	1,345,833	$2,287,916	Nil	1,345,834
	2018 LTI Performance Rights	$0.00	Nil	240,000	Nil	-	Nil	Nil	-	Nil	240,000
	2019 LTI Performance Rights	$0.00	Nil	Nil	270,599	$535,786	Nil	Nil	-	Nil	270,599

1 No other members of KMP held Performance Rights or Options during the year.

2 Each of the Legacy LTI options were granted in 2018 (for more information on the options reorganization at the time of the IPO, please refer to the Prospectus or the 2018 Remuneration Report).

3 Each of the 2019 LTI Performance Rights were awarded on 31 May 2019. The values of the Performance Rights granted in 2019 is based on the total grant date fair value.

4 The value of each exercised Legacy LTI option was calculated by subtracting the exercise price for the option ($0.82 for Scott Wyatt and Dan Ridgway, from the closing share price on the date of exercise (i.e. $2.52), and multiplying by the number of shares. One share was provided for each Legacy LTI option that was exercised. Jevan Bouzo's vested options were not exercised.

Remuneration Report (continued)

9. Shareholdings

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

	Balance as at 1 January 2019	Purchased in 2019	Acquired through exercise of options	Shares disposed	Balance at 31 December 2019
Robert Hill	40,000	Nil	Nil	Nil	40,000
Hui Meng Kho	Nil	Nil	Nil	Nil	Nil
Dat Duong	Nil	Nil	Nil	Nil	Nil
Jane McAloon	20,000	27,692	Nil	Nil	47,692
Arnoud De Meyer	20,000	48,900	Nil	Nil	68,900
Sarah Ryan	24,291	49,000	Nil	Nil	73,291
Scott Wyatt	5,191,066[1]	Nil	2,883,926[2]	Nil	8,074,992
Jevan Bouzo	154,210[3]	Nil	Nil	Nil	154,210
Dan Ridgway	2,422,497[4]	Nil	1,345,833[5]	400,000	3,368,330

1 2,595,533 of these are escrowed until 30 June 2020.
2 Shares acquired by Scott Wyatt on 19 March 2019.
3 76,905 of these are escrowed until 30 June 2020 and 400 restricted until 18 July 2021
4 1,211,248 of these are escrowed until 30 June 2020.
5 Shares acquired by Dan Ridgway on 19 March 2019

10. FY2020 - Summary of changes to executive KMP remuneration arrangements

Remuneration

A review of the fixed and variable remuneration arrangements for our executive KMP was concluded in early 2020.

In light of the performance of the Group in 2019, the Board agreed that no change will be made to Scott Wyatt's remuneration in 2020. Both his FAR and total remuneration remain considerably below the median level of the Company's comparator group assessed by the Board (ASX-listed companies comparable in terms of size, complexity and industry to the Company).

Jevan Bouzo's FAR was increased to $650,000 (previously $600,000) effective 1 March 2020. No adjustment was made to his short-term and long-term incentive maximum opportunities - each will remain at 100% of his total fixed remuneration in 2020. Jevan Bouzo's fixed remuneration is now placed at the 25th percentile of the comparator group assessed by the Board, with his total remuneration placed between the 25th and 50th percentiles.

As the Legacy LTI arrangements expire the Board considers that competitiveness of our executive remuneration is at the lower end of the spectrum. The Board will keep executive remuneration under constant review to ensure that remuneration levels and remuneration structure remain appropriate.

No change was made to Dan Ridgway's remuneration arrangements.

Short and long term incentive arrangements

The Board intends to maintain consistency in the Executive remuneration framework where it is appropriate to do so and accordingly, for the most part, STI and LTI structures and performance measures will remain unchanged in 2020. However, the following adjustments will apply in 2020:

STI – Underlying EBITDA (RC) gateway condition:

The gateway condition was introduced in connection with the IPO and applied for the duration of the Prospectus, which ended 30 June 2019. In 2020 and going forward, there will be no financial gateway but performance will continue to be assessed against a balanced scorecard of metrics, including financial metrics. Overriding discretion is retained with the Board to adjust STI outcomes where appropriate. Strong financial performance remains a key priority for management and the Board and, as such, a 60% weighting to financial performance will apply for STI arrangements in 2020.

Remuneration Report (continued)

10. FY2020 - Summary of changes to executive KMP remuneration arrangements (continued)

Short and long term incentive arrangements (continued)

STI – normalisation of Underlying EBITDA (RC) for refining movements outside of management's control:

The principle for normalisation is to ensure that positive and negative factors outside of management's control are taken into account when considering STI outcomes for executives. With respect to normalising underlying EBITDA (RC) for refining movements, factors outside of management's control include:

- Available margin resulting from crude oil prices as determined and set by oil producers; and
- Foreign exchange impacts given crude oil prices are set in US$ dollars.

When underlying EBITDA (RC) STI performance targets are set at the start of the year, assumptions are made for available margin and the US$/AUD$ exchange rate which are held constant for the year.

Normalisation requires that following the performance year, actual performance is restated applying available margin and exchange rate assumption used to set the targets at the beginning of the performance period. The normalised Company performance can then be fairly and reasonably assessed against the restated targets. This restatement ensures that management are neither advantaged nor disadvantaged by factors which are outside of their control when assessing performance for the year.

STI – entitlement to a dividend on the deferred equity component:

In line with market practice and to provide greater alignment between the interests of executives' and shareholders, changes will be made to the STI such that executives will be entitled to dividend payments made throughout the deferral periods. This is appropriate as the performance conditions will have been satisfied before the equity component is granted.

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 2019.

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 26 to 29;
- Operating and Financial Review on pages 7 to 25;
- Risk Management disclosures which form part of the Operating and Financial Review on pages 22 to 25;
- Remuneration Report on pages 30 to 46;
- External Auditor's independence declaration on page 52;
- Note 35 *Auditor's remuneration* on pages 107 to 108.

Directors, Secretaries and Meetings

The Directors of the Company as at the date of this report are:

- Robert Hill – Appointed 18 June 2018
- Scott Wyatt – Appointed 7 June 2018
- Dat Duong – Appointed 7 June 2018
- Arnoud De Meyer – Appointed 18 June 2018
- Hui Meng Kho – Appointed 18 June 2018
- Jane McAloon – Appointed 18 June 2018
- Sarah Ryan – Appointed 18 June 2018

Information on the qualifications, experience, special responsibilities and other directorships of our Directors is set out on pages 26 to 29.

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 currently a Non-Executive Director of Viva Energy REIT.

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' 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 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 Board Committee meeting, save to the extent they are subject to a relevant conflict.

Directors' report (continued)

Directors' meetings (continued)

	Board meetings				Audit and Risk Committee		HSSEC Committee		Remuneration and Nomination Committee		Investment Committee	
	Scheduled		Unscheduled									
	(A)	(B)	(A)	(B)	(A)	(B)	(A)	(B)	(A)	(B)	(A)	(B)
Non-Executive Directors												
Robert Hill	9	9	7	7			5	4	6	6	4	3
Arnoud De Meyer	9	8	7	6					6	6	4	4
Dat Duong	9	9	7	7	8	8					4	4
Hui Meng Kho	9	7	7	5					6	5	4	3
Jane McAloon	9	9	7	5	8	8	5	5			4	4
Sarah Ryan	9	8	7	7	8	8	5	5			4	3
Executive Director												
Scott Wyatt	9	9	7	7							4	4

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

(B) number of meetings attended by the Director

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 7 to 25 and in the Notes to the Consolidated Financial Statements.

Review of operations

The Operating and Financial Review of the Group for the 2019 financial year set out on pages 7 to 25 of this report.

Dividends

We paid the following dividends during the financial year ended 31 December 2019:

Dividend	Total Dividend	Payment date
Inaugural dividend of 4.8 cents per share (fully franked) for the six months ended 31 December 2018	$93.3 million	15 April 2019
Interim dividend of 2.1 cents per share (fully franked) for the half year ended 30 June 2019	$40.9 million	14 October 2019

Directors' report (continued)

Matters subsequent to the end of financial year

On 24 February 2020, the Board determined a fully franked final dividend of 2.6 cents per share ($50.6 million total amount) in respect of the 2019 financial year. Payment is scheduled for 15 April 2020. The dividend has not been provided for in the consolidated financial statements and will be recognised in the consolidated financial statements in the 2020 financial year.

Divestment of Viva Energy REIT investment and use of proceeds

On 21 February 2020, the Group confirmed that it had sold its 35.5 percent security holding in Viva Energy REIT (VVR) by way of a fully underwritten block trade, and a sale to each of the Charter Hall Group (ASX: CHC) and the Charter Hall Long WALE REIT (ASX: CLW). A 25.5 percent interest in VVR was sold through the underwritten trade, and a 5 percent interest was sold to each of CHC and CLW. Following completion of those transactions, the Company will receive $2.66 per VVR security, being a total of $734.3 million, and an estimated $112.9 million pre-tax profit on the sales. Following receipt of proceeds, the Group intends to return capital to shareholders through a potential buy-back of shares in the Company, subject to all necessary approvals.

No other matters or circumstances have arisen since the end of the financial year that have significantly affected, or may significantly affect, the operations, results of operations or state of affairs of the Group in subsequent financial years.

Remuneration and share interests

Remuneration Report

The Remuneration Report is set out on pages 30 to 46.

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	40,000
Scott Wyatt	10,958,920
Dat Duong	0
Arnoud De Meyer	68,900
Hui Meng Kho	0
Jane McAloon	47,692
Sarah Ryan	73,291

Our Managing Director and CEO, Scott Wyatt, holds 1,021,198 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.

Rights and Options over shares in the Company

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

Directors' report (continued)

Remuneration and share interests (continued)

Rights and Options over shares in the Company (continued)

	Number on issue as at 31 December 2018	Changes during the 2019 financial year	Number on issue as at 31 December 2019	Change since the end of 2019 Financial year	Number on issue as at the date of this report
Options* (at various exercise prices and expiry dates)	16,534,520	7,882,734 Options exercised	8,651,786 Options	7,113,691 Options exercised***	1,538,095 Options exercisable at $1.21 expiring 1 January 2022
Performance Rights issued under the LTIP	1,600,000	2,052,041** Performance Rights issued 128,000 Performance Rights cancelled	3,524,041 Performance Rights	-	3,524,041 Performance Rights
Deferred Share Rights issued under the STIP	-	213,903 Deferred Share Rights issued	213,903 Deferred Share Rights	-	213,903 Deferred Share Rights

* These Options were held by employees, including Lachlan Pfeiffer (Company Secretary) and Key Management Personnel (as set out in the Remuneration Report). As at the date of this report, there is only one holder of outstanding options as set out in the Remuneration Report.

** Of these, 541,198 performance rights were granted to the CEO on 31 May 2019 as approved by shareholders at the 2019 AGM.

*** Each holder received one share for each option that was exercised. The shares were 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 3rd Edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.

Our 2019 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 52.

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 Risk and Audit Committee, that the provision of non-audit services during the 2019 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.

Directors' report (continued)

Environmental performance

Performance in relation to environmental regulation

In 2019, the Geelong Refinery experienced challenges with its sulphur treatment processing unit reliability. This resulted in elevated sulphur dioxide air emissions, at times above the refinery EPA licence emissions limit. These elevated sulphur dioxide emissions were authorised under a Section 30a temporary approval issued by EPA Victoria. Extensive repairs and maintenance were undertaken in 2019 returning the sulphur treatment units to reliable service.

Fines and prosecutions

On 15 March 2019, the Group was convicted in the NSW Land and Environment Court for two offences arising from a single incident, water pollution and licence contravention (failure to maintain equipment) under the Protection of Environment Operations Act 1997 (NSW). These offences relate to a fuel oil pipeline leak at Gore Bay Terminal in December 2016. The Court ordered the Group to pay $100,000 to the Environmental Trust for general environmental purposes and pay NSW EPA's legal and investigation costs. Following the incident, we took measures to prevent a re-occurrence of a similar incident at the site in the future. These measures include an additional program of inspection, testing and maintenance on pipelines, works to seal the concrete deck and kerb along the terminal's water frontage and improvements to maintenance procedures at the site.

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.

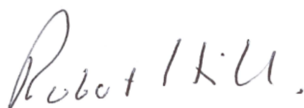
Under the deeds, the Company must arrange and maintain a directors' and officers' insurance policy for the Directors and the Company Secretaries to the extent permitted by law, and must use reasonable endeavours to maintain such insurance for the period from the date of the deed until seven years after 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.

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 2020

Auditor's Independence Declaration

As lead auditor for the audit of Viva Energy Group Limited for the year ended 31 December 2019, 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 2020

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

Liability limited by a scheme approved under Professional Standards Legislation.

Consolidated statement of profit or loss

For the year ended 31 December 2019

	Notes	2019 $M	2018 $M
Revenue	1	**16,541.6**	**16,395.1**
Replacement cost of goods sold		(10,085.1)	(10,328.8)
Net inventory loss		(49.5)	(93.6)
Sales duties, taxes and commissions		(4,607.5)	(4,135.3)
Import freight expenses		(333.2)	(286.0)
Historical cost of goods sold		**(15,075.3)**	**(14,843.7)**
Gross profit		**1,466.3**	**1,551.4**
Gain on step acquisition	29	1.3	-
Net (loss)/gain on other disposal of property, plant and equipment		(1.9)	10.2
Other (loss)/income		**(0.6)**	**10.2**
Transportation expenses		(253.3)	(278.6)
Salaries and wages		(258.3)	(249.7)
General and administration expenses		(113.1)	(128.0)
Maintenance expenses		(118.2)	(100.4)
Lease related expenses	13	(19.4)	(286.3)
Sales and marketing expenses		(105.4)	(114.2)
Impairment of receivables	2	(1.3)	(1.4)
		596.7	**403.0**
Interest income		2.8	2.7
Share of profit of associates	30	60.2	63.5
Realised/unrealised gain on derivatives	2	7.9	39.7
Net foreign exchanges gain/(loss)	2	37.3	(29.6)
Depreciation and amortisation expenses	2	(355.7)	(129.7)
Finance costs	2	(191.0)	(41.9)
Profit before income tax expense		**158.2**	**307.7**
Income tax (expense)/benefit	27	(44.9)	271.9
Profit after tax		**113.3**	**579.6**
Earnings per share		**cents**	**cents**
Basic earnings per share	4	5.8	29.8
Diluted earnings per share	4	5.7	29.4

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 2019

	Notes	2019 $M	2018 $M
Profit for the year		**113.3**	**579.6**
Other comprehensive income			
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 Viva Energy REIT	30	(4.7)	(3.2)
Other comprehensive income not to be reclassified to profit or loss in subsequent years (net of tax)			
Remeasurement of retirement benefit obligations	33	(1.7)	(1.4)
Net other comprehensive income/(loss)		**(6.4)**	**(4.6)**
Total comprehensive income for the year (net of tax)		**106.9**	**575.0**

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 2019

	Notes	2019 $M	2018 $M
ASSETS			
Current assets			
Cash and cash equivalents	6	127.2	108.6
Trade and other receivables	8	1,247.8	1,138.7
Inventories	5	1,195.6	1,011.3
Assets classified as held for sale	12	6.7	4.1
Derivative assets	20	0.2	15.5
Prepayments	9	20.9	71.0
Current tax assets		31.2	78.4
Total current assets		**2,629.6**	**2,427.6**
Non-current assets			
Long-term receivables	14	38.4	17.5
Property, plant and equipment	12	1,468.1	1,467.2
Right-of-use assets	13	2,328.1	-
Goodwill and other intangible assets	16	657.0	432.5
Post-employment benefits	33	6.9	11.4
Investments accounted for using the equity method	30	641.8	664.9
Net deferred tax assets	27	166.0	136.6
Other non-current assets		2.1	1.6
Total non-current assets		**5,308.4**	**2,731.7**
Total assets		**7,938.0**	**5,159.3**
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	10	2,165.5	1,922.8
Provisions	17	127.8	123.2
Short-term lease liabilities	13,22	128.0	7.2
Short-term borrowings	11	7.7	-
Derivative liabilities	20	19.0	0.9
Total current liabilities		**2,448.0**	**2,054.1**
Non-current liabilities			
Provisions	17	95.7	174.1
Long-term borrowings	21	256.9	108.4
Long-term lease liabilities	13,22	2,320.3	43.6
Long-term payables	15	93.2	-
Total non-current liabilities		**2,766.1**	**326.1**
Total liabilities		**5,214.1**	**2,380.2**
Net assets		**2,723.9**	**2,779.1**
Equity			
Contributed equity	23	4,861.3	4,861.3
Treasury shares	23	(14.2)	-
Reserves	23	(4,246.5)	(4,226.4)
Retained earnings		2,123.3	2,144.2
Total equity		**2,723.9**	**2,779.1**

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 2019

	Notes	Contributed equity $M	Treasury shares $M	Reserves $M	Retained earnings $M	Total equity $M
Balance at 1 January 2018		**645.2**	**-**	**11.5**	**1,578.1**	**2,234.8**
Profit for the year		-	-	-	579.6	579.6
Unrealised losses on cash flow hedges recognised by Viva Energy REIT		-	-	(3.2)	-	(3.2)
Remeasurement of retirement benefit obligations	33	-	-	(1.4)	-	(1.4)
Total comprehensive income for the year		**-**	**-**	**(4.6)**	**579.6**	**575.0**
Dividends paid	24	-	-	-	(13.5)	(13.5)
Capital return		(45.1)	-	-	-	(45.1)
Disposal of share by prior owner		(600.1)	-	-	-	(600.1)
Capital contribution from IPO		4,861.3	-	-	-	4,861.3
Reserve arising from IPO		-	-	(4,235.2)	-	(4,235.2)
Share based payment reserve		-	-	1.9	-	1.9
Balance at 31 December 2018		**4,861.3**	**-**	**(4,226.4)**	**2,144.2**	**2,779.1**
Balance at 1 January 2019		**4,861.3**	**-**	**(4,226.4)**	**2,144.2**	**2,779.1**
Profit for the year		-	-	-	113.3	113.3
Unrealised losses on cash flow hedges recognised by Viva Energy REIT		-	-	(4.7)	-	(4.7)
Remeasurement of retirement benefit	33	-	-	(1.7)	-	(1.7)
Total comprehensive income for the		**-**	**-**	**(6.4)**	**113.3**	**106.9**
Dividends paid	24	-	-	-	(134.2)	(134.2)
Reserve arising from IPO		-	-	(3.5)	-	(3.5)
Share based payment reserve	23c	-	-	(10.2)	-	(10.2)
Treasury Shares	23b	-	(14.2)	-	-	(14.2)
Balance at 31 December 2019		**4,861.3**	**(14.2)**	**(4,246.5)**	**2,123.3**	**2,723.9**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated statement of cash flows

For the year ended 31 December 2019

	Notes	2019 $M	2018 $M
Operating activities			
Receipt from trade and other debtors		19,050.3	19,006.8
Payments to suppliers and employees		(18,448.3)	(18,419.2)
Interest received		2.8	2.7
Interest paid on loans		(13.4)	(15.3)
Interest paid on lease liabilities		(162.5)	(7.7)
Net income tax paid		(26.2)	(280.1)
Net cash flows from operating activities	7	**402.7**	**287.2**
Investing activities			
Purchases of property, plant and equipment		(161.7)	(241.3)
Net cash consideration paid for step acquisition of Liberty Wholesale	29	(24.8)	-
Net cash consideration paid for the acquisition of Shell Aviation		-	(4.0)
Proceeds from sale of property, plant and equipment		0.3	17.5
Coles Express Alliance payment	16	(137.0)	-
Net purchase of employee share options		(20.0)	-
Dividends received from associates	34	40.8	37.5
Purchase of intangible asset		(0.1)	(2.1)
Loan to associate		(15.9)	(3.5)
Loan repayment from associate		20.0	-
Investment in associate		-	(14.9)
Net cash flows used in investing activities		**(298.4)**	**(210.8)**
Financing activities			
Drawdown of borrowings		4,320.0	3,720.0
Repayments of borrowings		(4,170.0)	(3,850.0)
Dividend paid	24	(134.2)	-
Upfront financing cost paid and capitalised		(3.0)	(2.5)
Repayment of lease liability		(106.2)	-
Net cash flows used in financing activities		**(93.4)**	**(132.5)**
Net increase/(decrease) in cash and cash equivalents		10.9	(56.1)
Cash and cash equivalents at the beginning of the year		108.6	164.7
Cash and cash equivalents at the end of the year	6(a)	**119.5**	**108.6**

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 2019 were authorised for issue in accordance with a resolution of the Directors on 24 February 2020. 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:

- the adoption of the new leasing standard AASB16 *Leases* (see Note 13);
- the recognition of a $137.0 million intangible asset arising from a one-off payment to assume responsibility for the provision of the fuel offering, including retail fuel pricing and marketing across the Alliance network (see Note 16);
- the renegotiation of the Group's core borrowing facility to extend the facility for a 3-year term with a 1-year extension option (see Note 21); and
- on 27 February 2019 the Group announced the intention to acquire the remaining 50% interest in Liberty Oil Holding Pty Ltd's wholesale business. The acquisition was finalised on 1 December 2019 (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 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 discussed below.

- 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 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*.

New and revised accounting standards

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the current annual reporting period. The Group has reviewed and where relevant adopted the following standard in line with the AASB.

- AASB 16 *Leases* (effective 1 January 2019) discussed in Note 13 *Leases*

The adoption of AASB 16 *Leases* and the new related accounting policies are disclosed in the notes referenced above.

Several other amendments and interpretations listed below apply for the first time in 2019, but do not have a significant impact on the consolidated financial statements of the Group in the current or future periods.

- AASB 2017-6 *Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation*
- AASB 2017-7 *Amendments to Australian Accounting Standards – Long term interests in Associates and Joint Ventures*
- AASB 2018-1 *Amendments to Australian Accounting Standards – Annual Improvements 2015-2017 Cycle*
- AASB 2018-2 *Amendments to Australian Accounting Standards –Plan Amendment, Curtailment or Settlement*
- Interpretation 23 Uncertainty over Income Tax Treatments

Standards issued but not yet effective as at 31 December 2019

A number of new accounting standards and interpretations have been published that are not yet effective for periods beginning 1 January 2019 and have not been early adopted by the Group. These standards and interpretations applicable from periods beginning 1 January 2020 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:

	2019	2018
	$M	$M
Revenue from contracts from customers		
Revenue from sale of goods	16,375.0	16,194.0
Non-fuels income	157.5	151.2
	16,532.5	16,345.2
Other revenue	9.1	49.9
Total revenue	**16,541.6**	**16,395.1**

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 is from the use of Shell Card, the payment of royalties on convenience sales at alliance retail sites and commissions paid by the operators of retail agent sites.

(i) 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.

(ii) 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.

(iii) 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 time over the licence period.

1. Revenue (continued)

Non-fuels income (continued)

(iv) 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.

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

	2019	2018
Realised/unrealised gains on derivatives	**$M**	**$M**
Derivative contracts	7.9	39.7

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 2019 and including any open positions at balance date, gains of $7.9 million were made (2018: $39.7 million gain). The gains in the current period were the result of various commodity price movements and a weakening AUD through the year.

	2019	2018
Foreign exchange gain/(loss)	**$M**	**$M**
Foreign exchange gains	107.7	123.5
Foreign exchange losses	(70.4)	(153.1)
Net foreign exchange gain/(loss)	**37.3**	**(29.6)**

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 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.

2. Other profit or loss items (continued)

	2019	2018
Depreciation and amortisation expense	**$M**	**$M**
Depreciation of property, plant and equipment	(128.1)	(114.7)
Depreciation charge of right-of-use assets	(199.1)	-
Amortisation of intangible assets	(28.5)	(15.0)
Total depreciation and amortisation expense	**(355.7)**	**(129.7)**

The FY19 depreciation and amortisation expenses includes $199.1 million of depreciation relating to right-of-use assets under AASB16 *Leases* and amortisation of $11.4 million relating to the one off $137 million payment made to Coles Express in relation to the renegotiated and extended Alliance agreement.

	2019	2018
Finance costs	**$M**	**$M**
Interest on borrowings, trade finance and commitment fees	(22.1)	(24.5)
Interest on lease liabilities	(162.5)	(8.0)
Unwinding of discount on provisions	(4.3)	(9.4)
Unwinding of discount on long-term payables	(2.1)	-
Total finance costs	**(191.0)**	**(41.9)**

The FY19 finance costs includes $162.5 million of additional costs relating to AASB16 *Leases*.

As at 31 December 2019 the Group had $3.1 million in net borrowing costs capitalised (2018: $1.6 million) amortising over the current terms of the borrowings facility. Refer to Note 21 for further information.

	2019	2018
Impairment	**$M**	**$M**
Impairment of receivables	(1.3)	(1.4)
Total impairment	**(1.3)**	**(1.4)**

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 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 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

31 December 2018	Retail, Fuels and Marketing	Refining	Supply, Corporate and Overheads	Total Segments
	$M	$M	$M	$M
Segment revenue:				
Total segment revenue	16,046.4	4,495.2	15,090.7	35,632.3
Inter-segment revenue	-	(4,495.2)	(14,742.0)	(19,237.2)
External segment revenue	**16,046.4**	**-**	**348.7**	**16,395.1**
Gross Profit	1,304.4	301.5	39.1	1,645.0
Net inventory gain/(loss)	-	-	(93.6)	(93.6)
Gross Profit	**1,304.4**	**301.5**	**(54.5)**	**1,551.4**
Profit before interest, tax, depreciation and amortisation	**932.6**	**124.5**	**(580.5)**	**476.6**
Interest income	-	-	2.7	2.7
Depreciation and amortisation expenses	(45.6)	(52.0)	(32.1)	(129.7)
Finance costs	(9.9)	-	(32.0)	(41.9)
Segment profit before tax expense	**877.1**	**72.5**	**(641.9)**	**307.7**
Other material items:				
Share of profit of associates	-	-	63.5	63.5
Capital expenditure	45.9	84.5	110.9	241.3

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

	2019	2018
	Cents	**Cents**
Total basic earnings per share attributable to the ordinary equity holders of the Group	5.8	29.8

(b) Diluted earnings per share

	2019	2018
	Cents	**Cents**
Total diluted earnings per share attributable to the ordinary equity holders of the Group	5.7	29.4

(c) Weighted average number of shares used as the denominator

	2019	2018
	Number	**Number**
Weighted number of ordinary shares used as the denominator in calculating basic earnings per share	1,944,535,168	1,944,535,168
Adjustments for calculation of weighted diluted earnings per share: Options	34,034,504	29,211,925
Weighted number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	1,978,569,672	1,973,747,093

(d) Information concerning the classification of securities

Ordinary Shares

Ordinary shares at 31 December 2019 represent the 1,944,535,168 shares listed on the ASX as part of the IPO on 13 July 2018. There has been no change in the amount of ordinary shares on issue since the IPO.

Per the requirements of AASB 133, the 1,944,535,168 ordinary shares upon listing represents the denominator in calculating the weighted average earnings per share in 2018 after adjusting for the change in ownership profile that ultimately did not change the resources of the Group. As applicable, this approach was also used for the adjustment to calculate diluted earnings per share in the prior period.

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 2019 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(g) *Related party disclosures*.

Working capital and cash flow

5. Inventories

	2019	2018
	$M	**$M**
Crude for processing	311.3	198.8
Hydrocarbon finished products	858.1	793.6
	1,169.4	**992.4**
Stores and spare parts	26.2	18.9
Total inventories	**1,195.6**	**1,011.3**

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 plus a proportionate share of appropriate functional overheads. 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. Net realisable value is determined based on market selling price under existing contracts.

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 (2018: $27.7 million).

During the year, a net inventory loss of $49.5 million (2018: $93.6 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. The Group's replacement cost methodology is consistent with the methods used by other companies in comparable industries.

6. Cash and cash equivalents

	2019	2018
	$M	**$M**
Cash at bank	127.2	108.6

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 (2018: nil).

(a) Reconciliation to cash flow statement

	2019	2018
	$M	**$M**
Cash at bank as per above	127.2	108.6
Bank overdraft (Note 11)	(7.7)	-
Balances per statement of cash flows	**119.5**	**108.6**

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

	2019 $M	2018 $M
Profit	**113.3**	**579.6**
Adjustments for:		
Net loss/(gain) on disposal of property, plant and equipment	1.9	(10.2)
Depreciation and amortisation	156.6	130.0
Depreciation of right-of-use assets	199.1	-
Non-cash interest and amortisation on long term loans	1.4	1.6
Non-cash gain on re-measurement of investment	(1.3)	-
Unrealised loss/(gain) on derivatives	33.4	(23.9)
Unrealised foreign exchange movements	(31.6)	24.4
Share of associate's profit not received as dividends or distributions	(60.2)	(63.5)
Non-cash employee share option taken up in reserves	2.2	1.9
Non-cash tax expense relating to IPO transaction cost offset against IPO reserve	(3.4)	0.1
Net cash flows from operating activities before movements in assets/liabilities	**411.4**	**640.0**
Movements in assets and liabilities:		
Working capital balances		
(Increase)/decrease in receivables	(8.1)	31.0
(Decrease) in other receivables arising from land sales	-	(53.2)
(Increase) in inventories	(172.9)	(46.2)
Increase in payables	162.3	299.6
Other		
Decrease/(increase) in other assets	5.9	(9.2)
Increase in deferred tax assets	(25.3)	(343.2)
Decrease in post-employment benefits	2.1	1.9
Decrease/(Increase) in tax asset	47.2	(209.1)
Decrease in provisions	(19.9)	(24.4)
Net cash flows from operating activities	**402.7**	**287.2**

Movements in the assets and liabilities for the year ended 31 December 2019 have been adjusted for the assets and liabilities transferred from Liberty Oil Holdings Pty Ltd which was acquired on 1 December 2019, as well as elimination of intercompany balances due to the acquisition. Refer to note 29 *Business combinations* for further details.

8. Trade and other receivables

	2019 $M	2018 $M
Trade receivables		
Trade receivables	1,008.5	914.0
Allowance for impairment of receivables	(4.2)	(4.3)
Total trade receivables	**1,004.3**	**909.7**
Other receivables		
Receivables from related parties	90.4	82.1
Receivables from associates	35.9	87.9
Loan to associates	6.9	-
Other debtors	110.3	59.0
Total other receivables	**243.5**	**229.0**
Total receivables	**1,247.8**	**1,138.7**

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 2019 there were no outstanding trade receivables subject to factoring (2018: 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 2019 was determined as follows for trade receivables:

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)	(0.0)	(0.1)	(0.9)

31 December 2018	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		0.4%	1.0%	2.0%	5.0%	10.0%	15.0%
Gross carrying amount – trade receivables	**914.0**	874.0	28.6	2.7	3.1	1.9	3.7
Loss allowance	**(4.3)**	(3.0)	(0.3)	(0.1)	(0.2)	(0.2)	(0.5)

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

	2019	2018
	$M	$M
Opening loss allowance as at 1 January	(4.3)	(5.6)
Increase in loss allowance recognised in profit or loss during the year	(1.3)	(1.4)
Receivables written off as uncollectable	2.1	2.7
Amount recognised as a result of Liberty Oil Holdings acquisition	(0.7)	-
Closing loss allowance At 31 December	**(4.2)**	**(4.3)**

The creation and release of loss allowances for trade receivables has been included within impairment 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.

8. Trade and other receivables (continued)

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, management believe 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

	2019	2018
	$M	$M
Head leases	-	50.1
Other prepayments	20.9	20.9
Total prepayments	**20.9**	**71.0**

As a result of the mandatory adoption of AASB 16 *Leases*, head lease advanced payments are no longer recognised under the prepayments classification on the balance sheet. Refer to Note 13 *Leases* for further information. Other prepayments primarily relate to prepaid council rates, insurance and shipping related costs.

10. Trade and other payables

	2019	2018
	$M	$M
Trade payables	744.6	619.7
Amounts due to related parties	1,407.7	1,290.3
Amounts due to associates	13.2	12.8
Total trade and other payables	**2,165.5**	**1,922.8**

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

	2019	2018
	$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
Cost						
As at 1 January 2018	**222.0**	**123.4**	**203.1**	**66.7**	**1,064.9**	**1,680.1**
Additions	230.4	-	2.1	-	8.8	241.3
Disposals	-	(10.2)	(0.3)	-	(2.2)	(12.7)
Transfers*	(180.3)	(0.3)	1.2	(0.6)	129.1	(50.9)
As at 31 December 2018	**272.1**	**112.9**	**206.1**	**66.1**	**1,200.6**	**1,857.8**
AASB 16 opening adjustment	-	-	-	(51.9)	-	(51.9)
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)
Transfers*	(257.8)	-	5.7	(14.2)	262.9	(3.4)
As at 31 December 2019	**171.0**	**115.9**	**211.8**	**-**	**1,478.6**	**1,977.3**
Accumulated depreciation						
As at 1 January 2018	-	-	(39.7)	(10.9)	(221.2)	(271.8)
Depreciation	-	-	(11.1)	(3.2)	(100.4)	(114.7)
As at 31 December 2018	**-**	**-**	**(50.8)**	**(14.1)**	**(321.6)**	**(386.5)**
AASB 16 opening adjustment	-	-	-	12.1	-	12.1
Depreciation	-	-	(11.3)	-	(116.8)	(128.1)
Transfers				2.0	(2.0)	-
As at 31 December 2019	**-**	**-**	**(62.1)**	**-**	**(440.4)**	**(502.5)**

**Net transfer out of $3.4 million in 2019 and net transfer out of $50.9 million in 2018 represents the completed JDE ERP system and other related software intangibles transferred out from construction in progress to intangibles. Refer to Note 16 for further information.*

	Construction in progress	Freehold land	Freehold buildings	Leasehold buildings	Plant and equipment	Total
Net book value						
As at 31 December 2018	272.1	112.9	155.3	52.0	879.0	1,471.3
Less: Assets held for sale	-	(4.0)	-	-	(0.1)	(4.1)
Net book value as at 31 December 2018	**272.1**	**108.9**	**155.3**	**52.0**	**878.9**	**1,467.2**
As at 31 December 2019	171.0	115.9	149.7	13.4	1,024.8	1,474.8
Less: Assets held for sale	-	(5.9)	(0.1)	-	(0.7)	(6.7)
Net book value as at 31 December 2019	**171.0**	**110.0**	**149.6**	**13.4**	**1,024.1**	**1,468.1**

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

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 $6.7 million (2018: $4.1 million) and meet the AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* classification requirements.

12. Property, plant and equipment (continued)

Refining assets

The Group's property, plant and equipment written down balances include $333.4 million of refining assets. As required under AASB 136 *Impairment of assets* each period management assess all property, plant and equipment balances for any impairment indicators. Given the current volatility in refining margins, as part of the year-end process the carrying value of Group's refining assets was tested for impairment, based on a value-in-use calculation. The calculation uses pre-tax cash flow projections based on financial forecasts.

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	1%
Pre-tax discount rate	8.4%

The above key assumptions used in the assessment represent management's expectations of future trends within the industry of which the refinery operates, based on both external and internal data sources. Management has considered and assessed reasonably possible changes in the key assumptions used and has not identified any instances that could cause the carrying amount of the refinery assets to exceed their recoverable amount.

The recoverable amount of the refinery has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial forecasts approved by management covering a 5 year period, and a discount rate of 8.4 percent. The refinery's cash flows beyond the five-year period are extrapolated using a 1 per cent growth rate.

The critical assumptions used in the testing of the refinery's carrying value include estimation of actual refining margin, foreign exchange rates and operational availability.

The below sensitivities indicate the degree to which long term actual outcomes would need to vary from management estimates for the recoverable amount of the refinery to equal its carrying value.

- Long term refining margins decreased by approximately 14%,
- The exchange rate (USD / AUD) increased by 17%; or
- Operational availability reduced by 15%

13. Leases

This note provides information on the Group leases, explains the impact of the adoption of AASB16 *Leases* on the Group's financial statements and also discloses the new accounting policies that have been applied from 1 January 2019 as a result of the AASB 16 adoption.

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

	2019	*1 January 2019
	$M	$M
Right-of-use-assets		
Retail sites	2,086.6	2,138.9
Supply & Distribution sites	202.2	226.9
Corporate Offices	38.5	41.3
Motor Vehicles	0.8	1.2
Total right-of-use assets	**2,328.1**	**2,408.3**

Additions to the right-of-use assets during the year, including the acquired Liberty Oil Holdings leases of $103.9 million, were $118.9 million. These additions were offset by depreciation expense of $199.1 million.

13. Leases (continued)

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

	2019	*1 January 2019
	$M	$M
Lease liabilities		
Current	128.0	113.0
Non-current	2,320.3	2,322.5
Total lease liabilities	2,448.3	2,435.5

** In the previous year, the Group only recognised lease assets and lease liabilities in relation to leases that were classified as finance leases under AASB 117 Leases. The assets were included in property, plant and equipment and the liabilities as part of the Group's borrowings.*

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

	2019	2018
	$M	$M
Depreciation charge of right-of-use assets		
Retail sites	163.3	-
Supply & Distribution sites	32.5	-
Corporate Offices	2.9	-
Motor Vehicles	0.4	-
Total depreciation charge for right-of-use assets	**199.1**	**-**
Interest expense (included within finance costs)	**162.5**	-
Expense relating to short-term leases, leases of low-value assets and variable lease related payments not included in leases above.	**19.4**	**-**

The total cash outflow for leases for the year amounted to $268.6million.

(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.

Until the end of the 2018 financial year, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, 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.

13. Leases (continued)

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

Group as a lessee (continued)

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 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.

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.

Various extension and termination options are included in a number of leases across the Group. Management have 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, 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 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 sublease and licencing arrangements, after consideration of the underlying contracts, it has been determined that as at 1 January 2019 the arrangements continued to exhibit the characteristics of operating leases.

A re-assessment of the application of AASB16 in relation to the sublease and licencing contracts was triggered by the Alliance reset with Coles Express announced to the market on 6 February 2019 and due to the changes in the underlying arrangements it has been determined that the inflows under these arrangements fall within the scope of AASB15 *Revenue from contracts with customers*.

Future minimum income expected to be received in relation to non-cancellable licence agreements are as follows:

	2019	**2018**
	$M	**$M**
Within one year	147.8	142.1
After one year but not more than five years	527.0	510.6
More than five years	659.2	749.5
Total	**1,334.0**	**1,402.2**

(d) AASB 16 Leases – Impact of adoption

The Group has adopted AASB16 from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening statement of financial position on 1 January 2019.

Adjustments recognised on the adoption of AASB16 Leases

On adoption of AASB16 *Leases*, the Group recognised lease liabilities in relation to leases for which it is the lessee, which had previously been classified as 'operating leases' under the principles of AASB117 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate which was adjusted for the duration of leases as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 6.9%.

13. Leases (continued)

(d) AASB 16 Leases – Impact of adoption (continued)

For the leases previously classified as a finance lease under AASB117, the Group recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application. The measurement principles of AASB16 are only applied after that date. The remeasurements to the lease liabilities were recognised as adjustments to the related right-of-use assets immediately after the date of initial application.

	1 January 2019
	$M
Operating lease commitments disclosed as at 31 December 2018	2,915.8
(Less): Adjustments relating to discounting and updated treatment of extension and termination options	(527.1)
(Less): Short-term leases recognised on a straight-line basis as expense	(4.0)
Lease liability recognised as at 1 January 2019 on adoption of AASB16	**2,384.7**
Add: Finance lease liabilities recognised as at 31 December 2018	50.8
Total Lease liability	**2,435.5**
Of which are:	
Current lease liabilities	113.0
Non-current lease liabilities	2,322.5
	2,435.5

The right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The change in accounting policy affected the following items in the consolidated statement of financial position on 1 January 2019:

Assets

- Right-of-use assets – increase by $2,408.3M
- Prepayments – decrease by $50.1M
- Property, plant and equipment – decrease by $39.8M

Liabilities

- Lease liabilities – increase by $2,384.7M
- Provisions – decrease by $66.4M

Impact on segment disclosures and earnings per share

Earnings before interest, tax, depreciation and amortisation (EBITDA) for the 2019 year increased for the Group as a result of the change in accounting policy. The change in policy affected each Group segment EBITDA as follows:

	EBITDA
	$M
Retail, Fuels and Marketing	6.2
Refining	-
Supply, Corporate and Overheads	251.2
	257.4

13. Leases (continued)

(d) AASB 16 Leases – Impact of adoption (continued)

Net profit after tax (NPAT) for the year decreased for the Group as a result of the change in accounting policy. The change in policy affected each Group segment NPAT as follows:

	NPAT
	$M
Retail, Fuels and Marketing	(0.6)
Refining	-
Supply, Corporate and Overheads	(49.9)
	(50.5)

Earnings per share decreased by 2.6c per share for the year ended 31 December 2019 as a result of the adoption of AASB16 *Leases*.

Practical expedients applied

In applying AASB16 for the first time, the Group has used the following approach permitted by the standard:

- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application;
- lease payments are discounted based on the Group's incremental borrowing rate; and
- the use of professional judgment in determining the lease term where the contract contains options to extend or terminate the lease.

14. Long-term receivables

	2019	2018
	$M	$M
Receivables	6.4	9.0
Loans to equity-accounted investees	32.0	8.5
Total non-current receivables	**38.4**	**17.5**

15. Long-term payables

	2019	2018
	$M	$M
Coles Express long-term payable	91.9	-
Other long-term payables	1.3	-
Total non-current payables	**93.2**	**-**

The Coles Express long term payable represents the present value recognition of a payment due 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 2018	**213.3**	**-**	**23.8**	**147.6**	**-**	**384.7**
Additions	9.8	50.9	2.1	-	-	62.8
Amortisation for the year	-	(1.4)	(5.9)	(7.7)	-	(15.0)
As at 31 December 2018	**223.1**	**49.5**	**20.0**	**139.9**	**-**	**432.5**
Cost	223.1	50.9	37.9	152.1	-	464.0
Accumulated amortisation	-	(1.4)	(17.9)	(12.2)	-	(31.5)
As at 31 December 2018	**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**

(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.

	2019	2018
	$M	**$M**
Marketing and Supply	320.6	223.1
Refining	-	-
Total goodwill recognised	**320.6**	**223.1**

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 the current year addition of $97.5 million is a result of the acquisition of Liberty Oil Holdings Pty Ltd (refer to Note 29).

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 conservative growth rates that do not exceed industry expectations.

16. Goodwill and other intangible assets (continued)

(a) 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	3%
Pre-tax discount rate	8.4%

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. Management have 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 2019 (2018: nil).

(b) 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 conservatively 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 during the current year (refer to Note 29). 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 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 / change of discount	1.7	-	5.9	1.5	(0.1)	9.0
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

	Employee benefits	Restructuring provision	Asset retirement obligation	Environ-mental remediation	Other	Total
	$M	$M	$M	$M	$M	$M
At 1 January 2018	**98.4**	**4.8**	**91.9**	**51.2**	**75.1**	**321.4**
Additions / (write-back)	25.8	10.5	(2.7)	1.0	22.5	57.1
Utilised	(53.0)	(12.8)	(4.7)	(12.0)	(8.1)	(90.6)
Unwinding / change of discount	2.2	-	6.2	0.8	0.2	9.4
At 31 December 2018	**73.4**	**2.5**	**90.7**	**41.0**	**89.7**	**297.3**
Current	67.0	2.5	12.0	20.9	20.8	123.2
Non-current	6.4	-	78.7	20.1	68.9	174.1

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.

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.

(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 2019 was $94.4 million (2018: $90.7 million). The Group estimates that the costs would be 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.

17. Provisions (continued)

(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 provision

Other provisions include costs associated with the removal of contents and cleaning of tanks in preparation for demolition, and provisions against legal claims. The movement through other provisions includes an adjustment of $66.4 million relating to the adoption of AASB16 *Leases*. Refer to Note 13 *Leases*.

18. Commitments and contingencies

(a) Capital commitments

At 31 December 2019, the Group had capital expenditure contracted at the reporting date but not recognised as liabilities related to property, plant and equipment totalling $44.0 million (2018: $40.2 million). Included within the total capital commitments is $13.9 million (2018: $9.6 million) in commitments which represents the Group's share of the contracts entered into by associate companies totalling $38.1 million for retail outlets, investment properties and capital improvements. Refer to Note 30 *Interests in associates and joint operations* for further information.

(b) Guarantees

As at 31 December 2019, guarantees amounting to $55.7 million (2018: $58.5 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 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 and considers that it has strong prospects 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. There have been no additional updates from the SRO.

Management do not consider it probable that the Group has a present obligation in relation to the assessment as at 31 December 2019, and as a result have not recorded a provision in the statement of financial position.

As at 31 December 2019, the Group has other contingent liabilities of $40.5 million (2018: $37.5 million) which includes the above Stamp duty amount of $31.2 million.

It is management's view that a cash outflow relating to the contingent liabilities is not probable.

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 2019 and 2018.

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:

Financial assets	**Notes**	**2019**	**2018**
		$M	**$M**
Financial assets held at amortised cost			
Trade and other receivables	8	1,247.8	1,138.7
Long-term receivables	14	38.4	17.5
Cash and cash equivalents	6	127.2	108.6
Financial assets at fair value through profit and loss			
Derivative assets	20	0.2	15.5
		1,413.6	**1,280.3**
Financial liabilities			
Financial liabilities held at amortised cost			
Trade and other payables	10	2,165.5	1,922.8
Short-term borrowings	11	7.7	-
Long-term borrowings	21	256.9	108.4
Lease liabilities	13,22	2,448.3	50.8
Long term payables	15	93.2	-
Financial liabilities at fair value through profit and loss			
Derivative liabilities	20	19.0	0.9
		4,990.6	**2,082.9**

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).

19. Financial assets and liabilities (continued)

(a) Initial recognition and subsequent measurement (continued)

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 profit or loss.

In order for a financial asset to be classified and measured at amortised cost or fair value through 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 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

From 1 January 2018, 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 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:

	2019	2018
	$M	$M
Derivative assets	0.2	15.5
Derivative liabilities	(19.0)	(0.9)

Management have 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 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

	2019	2018
	$M	$M
Long-term bank loans	260.0	110.0
Net capitalised borrowing costs on long-term bank loans	(3.1)	(1.6)
Total non-current borrowings	**256.9**	**108.4**

On 29 March 2019, the Group refinanced its borrowing facility with a US$700 million syndicated, revolving credit facility for a 3-year term with a 1-year extension option. The facility is unsecured with terms and conditions consistent with the previous facility.

At the end of the reporting period, the Group had access to the unsecured facility limit amounting to $999.1 million (2018: $991.8 million unsecured) that was in place primarily for working capital purposes. The amount drawn at 31 December 2019 is $260 million (2018: $110.0 million). The weighted average interest rate on long-term bank loans in 2019 was 2.29% (2018: 2.73%).

This borrowing facility is subject to covenant arrangements disclosed under Capital funding and financial risk management on page 79.

22. Consolidated net debt

	2019	2018
	$M	$M
Net debt		
Cash and cash equivalents	127.2	108.6
Borrowings – repayable within one year	(7.7)	-
Borrowings – repayable after one year	(256.9)	(108.4)
Net debt excluding lease liabilities	**(137.4)**	**0.2**
Lease liabilities – repayable within one year	(128.0)	(7.2)
Lease liabilities – repayable after one year	(2,320.3)	(43.6)
Net debt including lease liabilities	**(2,585.7)**	**(50.6)**

	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 2018	164.7	(7.1)	(43.5)	(239.3)	-	(125.2)
Cash flows	(56.1)	7.7	-	-	132.5	84.1
Other non-cash movements	-	(7.8)	(0.1)	239.3	(240.9)	(9.5)
Net debt as at 31 December 2018	**108.6**	**(7.2)**	**(43.6)**	**-**	**(108.4)**	**(50.6)**
Recognised on adoption of AASB16 (see Note 13)	-	(105.8)	(2,278.9)	-	-	(2,384.7)
Cash flows	18.6	268.7	-	(7.7)	(147.1)	132.5
Other non-cash movements	-	(283.7)	2.2	-	(1.4)	(282.9)
Net debt as at 31 December 2019	127.2	(128.0)	(2,320.3)	(7.7)	(256.9)	(2,585.7)

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.

	2019	2018
	$M	$M
Issued and paid up capital	4,861.3	4,861.3
Cost per share	$2.5000	$2.5000

Movements in ordinary share capital	**Shares**	**$M**
At 1 January 2018	809,323,406	645.2
Restructure of the Group*	(809,323,406)	(645.2)
IPO issuance*	1,944,535,168	4,861.3
At 31 December 2018	**1,944,535,168**	**4,861.3**
At 1 January 2019	1,944,535,168	4,861.3
At 31 December 2019	**1,944,535,168**	**4,861.3**

** On 13 July 2018 the Company was part of an IPO and listed a total of 1,944,535,168 shares on the ASX. As part of the IPO process, the Group acquired 100% of the shares in Viva Energy Holding Pty Limited (VEH) from Viva Energy B.V. The shares in VEH were transferred to the Group on 17 July 2018, immediately prior to the allotment of shares pursuant to the IPO on 18 July 2018.*

(b) Treasury shares

Treasury shares are shares in Viva Energy 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
Issue of shares to employees – options exercised	(7,882,734)	(20.0)
Issue of shares to employees – employee share plan	(13,861)	-
At 31 December 2019	**7,281,531**	**14.2**

(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**	**Total**
	$M	**$M**	**$M**	**$M**	**$M**
At 1 January 2018	8.7	1.2	-	1.6	11.5
Movement in share based payment reserve	-	1.9	-	-	1.9
Remeasurement of retirement benefit obligations	(1.4)	-	-	-	(1.4)
Recognition of IPO reserve	-	-	(4,235.2)	-	(4,235.2)
Unrealised (losses)/gains on cash flow hedges recognised by Viva Energy REIT	-	-	-	(3.2)	(3.2)
At 31 December 2018	**7.3**	**3.1**	**(4,235.2)**	**(1.6)**	**(4,226.4)**

23. Contributed equity and reserves (continued)

(c) Reserves (continued)

	Post employment benefits reserve	Share Based Payment reserve	IPO reserve	Cash flow hedge reserve	Total
	$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)**

24. Dividends declared and paid

	2019	2018
	$M	$M
Dividends determined and paid during the year		
Fully franked dividend relating to the prior period	-	13.5
Final dividend for the year ended 31 December 2018 of 4.8 cents per fully paid share	93.3	-
Interim dividend for the year ended 31 December 2019 of 2.1 cents per fully paid share	40.9	-
Total dividends determined and paid during the year	134.2	13.5

The dividend paid in the comparative period was a payment to the sole shareholder prior to the Group listing on the ASX. The prior period dividend of $13.5 million was a non-cash dividend payment paid by VEH to the then sole shareholder of VEH, Viva Energy B.V.

In addition to the above dividends, since year end the Board has determined a final dividend of 2.6 cents per fully paid ordinary share (2018 – 4.8 cents). The aggregate amount of the proposed dividend expected to be paid on 15 April 2020 out of retained earnings at 31 December 2019, but not recognised as a liability at year end, is $50.6 million.

Dividend franking account

The balance of the franking account of the Australian consolidated tax group, headed by Viva Energy Group Limited, is $44.8 million at 31 December 2019 (2018: $46.4 million) based on a tax rate of 30%.

The dividend of 2.6 cents per share recommended as the final dividend for 2019 will be fully franked and will reduce the franking credits available to the Group.

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.

(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 2019			
Derivative assets	-	0.2	-
Derivative liabilities	-	(19.0)	-
Total at 31 December 2019	**-**	**(18.8)**	**-**
31 December 2018			
Derivative assets	-	15.5	-
Derivative liabilities	-	(0.9)	-
Total at 31 December 2018	**-**	**14.6**	**-**

There were no transfers between levels during the 2019 and 2018 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 2019, 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.

26. Financial risk management (continued)

(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 report 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.

The Group manages foreign currency risk by using foreign currency forward contracts to offset foreign exchange exposures. At 31 December 2019 and 2018, 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 2019, the total fair value of all outstanding foreign currency exchange forwards amounted to a $18.8 million net liability (2018: $14.6 million net asset).

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.

	2019	2018
	$M	$M
USD denominated trade receivables (in AUD)	138.6	234.0
USD denominated trade payables (in AUD)	(1,661.6)	(1,302.5)
Net exposure	**(1,523.0)**	**(1,068.5)**
Effect in pre-tax profit		
AUD strengthens against USD by 10%	152.3	106.8
AUD weakens against USD by 10%	(152.3)	(106.8)

The Group has minimal exposure to other currencies (Euro, British Pound and Singapore Dollar) with total payable balances denominated in other currencies of $0.7 million at 31 December 2019 (2018: $1.4 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:

	2019	2018
	$M	$M
Financial assets		
Cash and cash equivalents	127.2	108.6
Loan to related party	38.9	8.5
Total financial assets	**166.1**	**117.1**
Financial liabilities		
Short-term bank loans	7.7	-
Long-term bank loans	256.9	108.4
Total financial liabilities	**264.6**	**108.4**
Net exposure	**(98.5)**	**8.7**
Interest rates increase by 1%	(1.0)	0.1
Interest rates decrease by 1%	1.0	(0.1)

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 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**
31 December 2018				
Trade and other payables	1,922.8	-	-	1,922.8
Long-term bank loans	-	110.0	-	110.0
Derivative liabilities	0.9	-	-	0.9
Lease liabilities	7.9	33.5	102.7	144.1
Total at 31 December 2018	**1,931.6**	**143.5**	**102.7**	**2,177.8**

The financial liabilities due within the next 12 month period amount to $2,476.4 million (2018: $1,931.6 million). The Group has current assets of $2,629.6 million (2018: $2,427.6 million), a net current asset position of $181.6 million (2018: $373.5 million) 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 2019 and 2018.

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:

	2019	2018
	$M	$M
Commodity prices decrease by 10%	4.5	3.9
Commodity prices increase by 10%	(4.1)	(3.9)

26. Financial risk management (continued)

(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

	2019	2018
	$M	$M
Accounting profit before income tax expense	**158.2**	**307.7**
Tax at the Australian tax rate of 30%	(47.5)	(92.3)
Non-deductible transaction costs	(4.9)	(0.9)
Research and development expenditure	(0.3)	(0.4)
Election to form tax consolidated group	-	345.5
Sundry items	(1.1)	0.5
Adjustment relating to prior periods	8.2	18.9
Non-refundable carry forward tax offsets	0.7	0.6
Income tax (expense)/benefit for the period	**(44.9)**	**271.9**

27. Income tax and deferred tax (continued)

(b) Income tax expense

	2019	2018
	$M	$M
Current tax expense	(68.6)	(78.4)
Deferred tax (expense)/benefit	15.5	331.4
Adjustment relating to prior periods	8.2	18.9
Income tax benefit/(expense) reported in the consolidated statement of profit or loss	**(44.9)**	**271.9**
Deferred income tax benefit/(expense) included in income tax benefit/(expense) comprises:		
Increase/(decrease) in deferred tax assets	738.8	126.8
Decrease/(increase) in deferred tax liabilities	(723.3)	204.6
Adjustment in deferred tax relating to prior periods	17.1	12.9
	32.6	**344.3**
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	(0.7)	(0.6)
Unrealised losses on cash flow hedges recognised by Viva Energy REIT	2.0	1.4
Deferred tax related to items recognised directly to equity during the period:		
Reserve arising from IPO	(4.5)	17.6
	29.4	**362.7**

(c) *Deferred tax*

	2019	2018
	$M	$M
Deferred tax assets		
The balance comprises combined temporary differences attributable to:		
Property, plant and equipment	123.0	128.9
Lease liabilities	722.4	-
Inventories	108.4	66.6
Asset retirement obligation	28.4	27.0
Employee benefits	22.4	20.3
Other	15.8	43.9
Total deferred tax assets	**1,020.4**	**286.7**
Deferred tax liabilities		
The balance comprises combined temporary differences attributable to:		
Right-of-use assets	(690.5)	-
Intangible assets	(53.5)	(50.0)
Derivative contracts	0.4	(2.5)
Financial assets and investments	(110.8)	(97.6)
Total deferred tax liabilities	**(854.4)**	**(150.1)**
Net deferred tax assets/(liabilities)	**166.0**	**136.6**
Net deferred tax balances expected to be realised within 12 months	38.6	30.8
Net deferred tax balances expected to be realised after more than 12 months	127.4	105.8
	166.0	**136.6**

27. Income tax and deferred tax (continued)

(d) Movements in deferred tax assets

2018 movements	**Property, Plant and Equipment**	**Lease liabilities**	**Inventories**	**Asset retirement obligations**	**Employee benefits**	**Other**	**Total**
	$M	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**
Opening balance at 1 January 2018	**-**	**-**	**64.0**	**28.3**	**17.7**	**32.9**	**142.9**
(Charged)/credited:							
To profit or loss	128.9	-	2.6	(1.3)	3.2	(6.6)	126.8
Directly to equity	-	-	-	-	-	17.6	17.6
Acquired in business combination	-	-	-	-	(0.6)	-	(0.6)
Closing balance at 31 December 2018	**128.9**	**-**	**66.6**	**27.0**	**20.3**	**43.9**	**286.7**

2019 movements	**Property, Plant and Equipment**	**Lease liabilities**	**Inventories**	**Asset retirement obligations**	**Employee benefits**	**Other**	**Total**
	$M	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**
Opening balance at 1 January 2019	**128.9**	**-**	**66.6**	**27.0**	**20.3**	**43.9**	**286.7**
(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)	41.7	(1.2)	1.6	(20.8)	(12.2)
Directly to equity	-	-	-	-	-	(4.6)	(4.6)
Other comprehensive income	-	-	-	-	(0.7)	-	(0.7)
Closing balance at 31 December 2019	**123.0**	**722.4**	**108.3**	**28.4**	**22.4**	**15.1**	**1,019.6**

(e) Movements in deferred tax liabilities

2018 movements	**Property, Plant and Equipment**	**Right-of-use assets**	**Intangible assets**	**Derivative contracts**	**Financial assets and investments**	**Total**
	$M	**$M**	**$M**	**$M**	**$M**	**$M**
Opening balance at 1 January 2018	(142.2)	-	(51.8)	(10.1)	(164.9)	(369.0)
(Charged)/credited:						
To profit and loss	142.2	-	1.8	7.6	65.9	217.5
Other comprehensive income	-	-	-	-	1.4	1.4
Closing balance at 31 December 2018	**-**	**-**	**(50.0)**	**(2.5)**	**(97.6)**	**(150.1)**

2019 movements	**Property, Plant and Equipment**	**Right-of-use assets**	**Intangible assets**	**Derivative contracts**	**Financial assets and investments**	**Total**
	$M	**$M**	**$M**	**$M**	**$M**	**$M**
Opening balance at 1 January 2019	-	-	(50.0)	(2.5)	(97.6)	(150.1)
(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	2.9	(15.1)	43.1
Other comprehensive income	-	-	-	-	2.0	2.0
Closing balance at 31 December 2019	**-**	**(690.5)**	**(53.5)**	**0.4**	**(110.7)**	**(854.3)**

27. Income tax and deferred tax (continued)

(e) Movements in deferred tax liabilities (continued)

The income tax expense for the year is the tax payable on the current year's taxable income 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.

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 subsidiaries as at 31 December 2019. 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 2019 %	Equity holding 2018 %
Viva Energy Holding Pty Limited	Australia	100	100
Viva Energy Australia Group Pty Limited	Australia	100	100
Viva Energy Australia Pty Limited	Australia	100	100
Viva Energy Aviation Pty Limited	Australia	100	100
Viva Energy Gas Pty Limited	Australia	100	100
Viva Energy Refining Pty Limited	Australia	100	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	-
Liberty Oil Holdings Pty Limited*	Australia	100	-
Deakin Services Pty Ltd*	Australia	100	-
Liberty Oil Affinity Pty Ltd*	Australia	100	-
Liberty Oil Australia Holdings Pty Ltd*	Australia	100	-
Liberty Oil City Leasing (Qld) Pty Ltd*	Australia	100	-
Liberty Oil City Leasing Pty Ltd*	Australia	100	-
Liberty Oil Land Pty Ltd*	Australia	100	-
Liberty Oil Property Pty Ltd*	Australia	100	-
Liberty Oil Property (SA) Pty Ltd*	Australia	100	-
Liberty Oil Rural Leasing (WA) Pty Ltd*	Australia	100	-
Liberty Oil Rural Leasing Pty Ltd*	Australia	100	-
Logicoil Pty Ltd*	Australia	100	-
Tradeway Services Pty Ltd*	Australia	100	-
Liberty Oil (SA) Pty Ltd*	Australia	100	-
Liberty Oil (WA) Pty Ltd*	Australia	100	-
Liberty Oil Corporation Pty Ltd*	Australia	100	-
Liberty Oil Finance Pty Ltd*	Australia	100	-
Liberty Oil Wholesale (S) Pty Ltd*	Australia	100	-
Liberty Oil (A) Pty Ltd*	Australia	100	-
Liberty Oil (B) Pty Ltd*	Australia	100	-
Liberty Oil (C) Pty Ltd*	Australia	100	-
Liberty Oil (D) Pty Ltd*	Australia	100	-
Liberty Oil Express Pty Ltd*	Australia	100	-
Liberty Oil N.S.W. Pty Ltd*	Australia	100	-
Liberty Oil Queensland Pty Ltd*	Australia	100	-
Liberty Oil South Australia Pty Ltd*	Australia	100	-
Liberty Oil Tasmania Pty Ltd*	Australia	100	-
Liberty Oil Victoria Pty Ltd*	Australia	100	-
Liberty Oil Western Australia Pty Ltd*	Australia	100	-
Liberty Oil Australia Pty Ltd*	Australia	100	-

** 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 31 Dec 2019 %	Equity holding 31 Dec 2018 %
Liberty Oil Holdings Pty Limited*	Australia	-	50
LOC Global Pty Ltd	Australia	50	-
Viva Energy REIT	Australia	36	38
Westside Petroleum Pty Limited	Australia	50	50
Fuel Barges Australia Pty Ltd	Australia	50	-

* *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 (2018: 52%), a 50% interest in Crib Point Terminal Pty Ltd (2018: 50%) and a 33% interest in Cairns Airport Refuelling Services Pty Ltd (2018: 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 27 February 2019, the Group agreed to acquire the remaining 50% interest in Liberty Oil Holding Pty Limited's wholesale business (and controlled entities) (Liberty Oil Holdings), a significant step in the Group's regional growth strategy. The acquisition was finalised on 1 December 2019. The Group also established a new retail joint venture of which it owns 50%, to continue to grow the Liberty Oil retail business.

Liberty Oil Holdings is a significant national supplier of bulk fuels and lubricants to customers and distributors operating predominantly in the regional and rural markets. The business includes a network of 17 regional storage depots, a company operated transport fleet of more than 60 vehicles, and supply to a network of more than 250 dealer owned service stations carrying either the Shell or Liberty brands.

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

Purchase consideration:

	$M
Cash settlement	42.0
Fair value of previously held investment	42.0
Total purchase consideration	**84.0**

A gain of $1.3 million has been recognised as a result of remeasuring to fair value the equity interest in Liberty Oil Holdings Pty Limited held by the Group before the business combination. This gain is recognised in line item Gain on Step Acquisition in the consolidated statement of profit and loss.

29. Business combinations (continued)

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

	Recognised values
	$M
Cash and cash equivalents	17.2
Trade and other receivables	129.3
Inventories	11.5
Property, plant and equipment	16.7
Land	5.1
Right-of-use assets	103.9
Intangible assets	15.0
Other assets	1.7
Trade and other payables	(198.9)
Provisions	(12.5)
Lease liabilities	(103.9)
Net deferred tax assets	1.4
Net identifiable assets acquired	**(13.5)**
Goodwill on acquisition	97.5
Total purchase consideration	**84.0**

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, management has been required to make judgements relating to the fair value of assets and liabilities, in particular the valuation of certain liabilities.

Intangible assets acquired of $15.0 million represent customer contracts ($12.1 million) and brand intangibles ($2.9 million). These assets will be amortised over 10 years. Refer to Note 16 *Goodwill and other intangible assets* for further details.

Goodwill acquired of $97.5 million 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.

Acquired receivables

The fair value of acquired trade receivables is $90.8 million. The gross contractual amount for trade receivables due is $91.5 million, with a loss allowance of $0.7 million.

Revenue and profit contribution

Liberty Oil Holdings Pty Ltd contributed revenues of $173.6 million and loss after tax of $0.9 million to the Group from the Transaction Date to 31 December 2019.

If the acquisition had occurred on 1 January 2019, pro-forma revenue and profit for the year ended 31 December 2019 would have been revenues of approximately $1,771.4 million[1] and loss after tax of approximately $9.4 million[1] respectively. These amounts have been calculated using Liberty Oil Holding's results and adjusting them for differences in the accounting policies between the group and the acquired subsidiaries.

[1] *Prior to 1 December 2019, Liberty Oil Holdings Pty Ltd financial results incorporated the financial results of both the wholesale and the retail businesses. The acquisition disclosed in this note relates to the wholesale business only however it is impracticable for the financial results prior to 1 December 2019 to be split between the lines of business.*

29. Business combinations (continued)

Purchase consideration – cash outflow

	2019	2018
	$M	**$M**
Outflow of cash to acquire subsidiary, net of cash acquired		
Cash consideration	42.0	-
Less: Balances acquired	(17.2)	-
Net outflow of cash – investing activities	**24.8**	**-**

Acquisition related costs

Acquisition-related costs of $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.

There were no acquisitions in 2018 that were within the scope of AASB 3 *Business Combinations*. The pre-IPO restructure has been treated as a common control transaction and is outside the scope of AASB 3.

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:

	2019	2018
	$M	**$M**
Liberty Oil Holdings Pty Limited	-	58.4
LOC Global Pty Ltd	15.5	-
Viva Energy REIT	615.9	591.6
Westside Petroleum Pty Limited	10.4	14.9
Fuel Barges Australia Pty Ltd	-	-
Total investments accounted for using the equity method	**641.8**	**664.9**

During the 2019 period the Group acquired a 50% equity share of Fuel Barges Australia Pty Ltd. This entity has not yet commenced operations.

Liberty Oil Holdings Pty Limited

On 27 February 2019, the Group agreed to acquire the remaining 50% interest in Liberty Oil Holding Pty Limited's wholesale business (and controlled entities). The acquisition was finalised on 1 December 2019. Prior to this acquisition the Group held a 50% interest. The Group also established a new retail joint venture of which it owns 50%. This investment is disclosed below.

Liberty had no other contingent liabilities or capital commitments as at 31 December 2019 and 2018, except as disclosed in Note 18 *Commitments and contingencies*.

	2019	2018
Movement of Liberty Oil Holdings investment	**$M**	**$M**
Balance at the beginning of the year	58.4	58.4
Dividends received	(1.6)	-
Share of Liberty Oil Holdings loss	(5.6)	-
Capital contribution	5.0	-
Transfer of investment value on establishment of LOC Global Pty Ltd[2]	(15.5)	-
Business combination adjustment[1]	(40.7)	-
Balance at end of year	**-**	**58.4**

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% (2018: 0%) equity holding in LOC Global.

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

	2019	2018
Movement of LOC Global investment	**$M**	**$M**
Balance at the beginning of the year	-	-
Transfer of investment from Liberty Oil Holdings (refer above)	15.5	-
Share of LOC Global profit	-	-
Share of LOC Global OCI	-	-
Balance at end of year	**15.5**	**-**

Viva Energy REIT

Viva Energy REIT is an ASX listed real estate investment trust that owns a portfolio of service stations primarily leased to Viva Energy Australia Pty Limited, a wholly-owned, consolidated subsidiary of the Group. As at 31 December 2019, the Group held a 35.5% interest (2018: 38.0%) in Viva Energy REIT and was represented by two of five Board members. The 276,060,625 shares owned in Viva Energy REIT had a fair value of $734.3 million (2018: $621.1 million) as at 31 December 2019 based on the ASX quoted share price.

	2019	2018
Movement of Viva Energy REIT investment	**$M**	**$M**
Balance at the beginning of the year	591.6	570.2
Dividends received	(39.2)	(37.5)
Share of Viva Energy REIT profit	70.3	63.5
Share of Viva Energy REIT OCI	(6.8)	(4.6)
Balance at end of year	**615.9**	**591.6**

Westside Petroleum Pty Limited

In May 2018, the Group agreed to acquire a 50% non-controlling interest in Westside Petroleum Pty Ltd ('Westside'), an independently owned and operated retail fuels business with more than 50 retail sites across New South Wales, Victoria and Queensland.

The transaction was finalised in August 2018 after ACCC and FIRB approval, for a settlement purchase price of $14.9 million.

	2019	2018
Movement of Westside Petroleum investment	**$M**	**$M**
Balance at the beginning of the year	14.9	-
Acquisition	-	14.9
Dividends received	-	-
Share of Westside Petroleum profit/(loss)	(4.5)	-
Share of Westside Petroleum OCI	-	-
Balance at end of year	**10.4**	**14.9**

Total share of profits in associates for the 2019 year amounted to $60.2 million (2018: $63.5 million).

Included within the capital commitments disclosed in Note 18 *Commitments and contingencies*, is $13.9 million (2018: $9.6 million) in commitments which represents the Group's share of capital contracts entered into by associate companies totalling $38.1 million for retail outlets, investment properties and capital improvements. Viva Energy REIT had no other contingent liabilities or capital commitments as at 31 December 2019 and 2018, except as disclosed in Note 18 *Commitments and contingencies*.

30. Interests in associates and joint operations (continued)

(a) Associates (continued)

Aggregate summary information of associates

This summarised financial information represents the aggregate summary information of associates with the majority relating to Viva Energy REIT. It represents the amounts shown in financial statements of the associate companies in accordance with Australian accounting standards.

	2019	2018
	$M	$M
Current assets	97.1	145.6
Non-current assets	2,715.5	2,561.1
Current liabilities	(122.2)	(194.2)
Non-current liabilities	(911.9)	(905.6)
Net assets	**1,778.5**	**1,606.9**
Net assets – Group's share based on percentage of investment	632.3	612.7
Adjustments resulting from the equity accounting method	9.5	52.2
Carrying amount of investments accounted for using the equity method	641.8	664.9
Revenue	2,072.9	1,926.0
Net profit from continuing operations	189.5	167.1
Net (loss) from associate acquired during the period	(8.5)	-
Other comprehensive income	(19.1)	(12.2)
Total comprehensive income	161.9	154.9
Distributions received from equity accounted for investments	40.8	37.5

(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 2019 and 2018, 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.

	2019	2018
	$M	$M
Statement of financial position		
Current assets	-	17.8
Non-current assets	4,791.8	4,782.9
Total assets	**4,791.8**	**4,800.7**
Current liabilities	4.0	5.0
Non-current liabilities	-	-
Total liabilities	**4.0**	**5.0**
Net assets	**4,787.8**	**4,795.7**
Contributed equity	4,861.3	4,861.3
IPO reserve	(71.3)	(67.8)
Employee share based payment reserve	(7.1)	-
Retained earnings	4.9	2.2
Total equity	**4,787.8**	**4,795.7**
Results		
Profit of the Company	136.9	2.2
Total comprehensive income of the Company	**136.9**	**2.2**

32. Deed of cross guarantee

As at 31 December 2019, 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 and Pacific Hydrocarbon Solutions Limited) are parties to a Deed of Cross Guarantee dated 14 December 2018 ('Deed'). Parties marked with an asterisk (*) in Note 28(b) *Group information* were added as parties to the Deed by an Assumption Deed dated 13 December 2019.

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 2019 and 2018 are set out below:

	2019	2018
	$M	$M
Revenue	**16,541.6**	**16,394.4**
Replacement cost of goods sold	(10,084.9)	(10,328.6)
Inventory gain/(loss)	(49.5)	(93.6)
Sales duties and taxes	(4,607.5)	(4,135.3)
Transportation expenses	(333.2)	(286.0)
Historical cost of goods sold	**(15,075.1)**	**(14,843.5)**
Gross profit	**1,466.5**	**1,550.9**
Gain on bargain purchase	1.3	-
Net (loss)/gain on disposal of property, plant and equipment	(1.9)	10.2
Other income	**(0.6)**	**10.2**
Transportation expenses	(258.8)	(283.4)
Salaries and wages	(257.7)	(249.1)
General and administration expenses	(140.9)	(140.3)
Maintenance expenses	(115.4)	(98.1)
Operating leases	(19.4)	(286.3)
Sales and marketing expenses	(105.4)	(114.2)
Impairment	(1.3)	(1.4)
Results from operations	**567.0**	**388.3**
Interest income	2.8	2.7
Share of profit in associates	60.2	63.5
Realised/unrealised (loss)/gain on derivatives	7.9	39.7
Net foreign exchanges gain/(loss)	37.2	(29.8)
Movement in financial assets	-	-
Depreciation and amortisation expenses	(355.6)	(129.6)
Finance costs	(189.8)	(41.7)
Profit before income tax expense	**129.7**	**293.1**
Income tax benefit/(expense)	(39.8)	276.8
Profit after tax	**89.9**	**569.9**

32. Deed of cross guarantee (continued)

	2019	2018
	$M	$M
ASSETS		
Current assets		
Cash and cash equivalents	126.5	107.2
Trade and other receivables	1,203.0	1,141.4
Inventories	1,195.2	1,010.9
Assets classified as held for sale	6.7	4.1
Derivative assets	0.2	15.5
Prepayments	20.2	71.0
Current tax assets	40.3	83.2
	2,592.1	**2,433.3**
Non-current assets		
Long-term receivables	40.6	19.7
Property, plant and equipment	1,464.2	1,463.8
Right-of-use assets	2,328.1	-
Goodwill and other intangible assets	657.0	432.5
Post-employment benefits	6.9	11.4
Investments accounted for using the equity method	641.8	664.9
Net deferred tax assets	165.9	136.5
Other non-current assets	2.1	1.5
	5,306.6	**2,730.3**
Total assets	**7,898.7**	**5,163.6**
LIABILITIES AND EQUITY		
Current liabilities		
Trade and other payables	2,163.5	1,941.1
Provisions	127.8	123.2
Short-term borrowings	7.7	-
Short-term lease liabilities	128.0	7.2
Derivative liabilities	19.0	0.9
	2,446.0	**2,072.4**
Non-current liabilities		
Provisions	95.7	174.1
Long-term borrowings	256.9	108.4
Long-term lease liabilities	2,320.3	43.6
Long-term payables	93.2	-
	2,766.1	**326.1**
Total liabilities	**5,212.1**	**2,398.5**
Net assets	**2,686.6**	**2,765.1**
Equity		
Contributed equity	4,857.1	4,857.1
Treasury shares	(14.2)	-
Reserves	(4,246.5)	(4,226.5)
Retained earnings	2,090.2	2,134.5
Total equity	**2,686.6**	**2,765.1**

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.

(c) 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. All assumptions 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

	2019	2018
	$M	$M
Present value of defined benefit obligation	(98.5)	(111.4)
Fair value of defined benefit plan assets	105.4	122.8
Net defined benefit asset recognised in the consolidated statement of financial position	**6.9**	**11.4**

33. Post-employment benefits (continued)

(a) 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	
	2019	**2018**	**2019**	**2018**
	$M	**$M**	**$M**	**$M**
Balance at 1 January	(111.4)	(123.1)	122.8	138.4
Current service cost	(4.6)	(5.0)	-	-
Net interest on the defined benefit (liability)/asset	(3.3)	(3.8)	3.7	4.2
Return on assets less interest income	-	-	4.1	(2.2)
Actuarial gain/(loss) – change in demographic assumptions	(0.4)	(1.7)	-	-
Actuarial gain/(loss) – change in financial assumptions	(6.5)	(0.6)	-	-
Actuarial gain/(loss) – experience adjustments	0.4	2.5	-	-
Tax on remeasurement of defined benefit obligation	-	-	-	-
Benefits paid	27.9	21.1	(27.9)	(21.1)
Employer contributions	-	-	2.1	2.7
Employee contributions	(0.6)	(0.8)	0.6	0.8
Business acquisition	-	-	-	-
Balance at 31 December	**(98.5)**	**(111.4)**	**105.4**	**122.8**

Amounts recognised in consolidated statement of profit or loss

	2019	**2018**
	$M	**$M**
Amounts recognised in profit or loss		
Service cost	3.9	4.5
Member contributions	(0.5)	(0.5)
Plan expenses	1.2	1.0
Current service cost	**4.6**	**5.0**
Net interest on the new defined benefit liability/(asset)	(0.4)	(0.4)
Components of defined benefit cost recorded in profit or loss	**4.2**	**4.6**
Amounts recognised in other comprehensive income		
Remeasurement of the net defined benefit liability:		
Return on assets less interest income	(4.1)	2.2
Actuarial (gain)/loss – change in demographic assumptions	0.4	1.7
Actuarial (gain)/loss – change in financial assumptions	6.5	0.6
Actuarial (gain)/loss – experience adjustments	(0.4)	(2.5)
Tax on remeasurement of defined benefit obligation	(0.7)	(0.6)
Components of defined benefit cost recorded in other comprehensive income	**1.7**	**1.4**

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:

	2019	2018
	$M	$M
Australian equities	8.4	11.6
International equities	12.6	16.8
Property	10.4	10.3
Fixed income bonds	41.1	51.2
Other	12.6	12.9
Cash	20.3	20.0
Total plan assets	**105.4**	**122.8**

The Group has agreed to pay nil contributions (2018: 8.8%) to the Plan for 2 years and then expects to recommence contributions after that time. The following payments are expected to be contributed to the defined benefit plan in future years:

	2019	2018
	$M	$M
Within the next 12 months	-	1.6
Between 2 and 5 years	2.4	4.1
Between 5 and 10 years	1.6	2.1
Beyond 10 years	0.3	0.6
Total expected payments	**4.3**	**8.4**

The average duration of the defined benefit plan obligation at the end of the reporting period is 5.7 years (2018: 5 years).

Actuarial assumptions

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

	2019	2018
	%	%
Discount rate	1.9	3.1
Expected rate of salary increases	2.5	2.5
Pension increase rate	2.0	2.1

Pensioner mortality has been assumed following the mortality under the Australian Life Tables 2010-12.

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	
	2019	2018
	$M	$M
Discount rate:		
1.0% increase	(5.7)	(6.1)
1.0% decrease	6.2	6.9
Expected rate of salary increases:		
1.0% increase	3.0	4.4
1.0% decrease	(3.2)	(4.1)

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 2019, 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 (2018: 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

	2019	2018
	$'000	$'000
Sales and purchases of goods and services		
Purchases	10,687,684	10,598,718
Sales of goods and services	964,193	604,685
Sales of assets	-	58,581
Other transactions		
Dividends paid to parent*	-	13,474
Return of capital*	-	45,108
Outstanding balances arising from sales/purchases of goods and services		
Receivables	90,477	82,117
Payables	1,407,737	1,290,261

** Represents a 2018 non-cash dividend and capital return settled through the sale of assets of $58.6 million to the immediate parent prior to the IPO.*

(b) Transactions with associates

	2019	2018
	$'000	$'000
Sales and purchases of goods and services		
Purchases	43,843	30,961
Sales of goods and services	1,608,118	1,440,714
Other transactions		
Interest income from associates	601	252
Sales of assets to associates	31,480	420
Lease expense paid to associates	146,370	135,389
Dividends from associates	40,838	37,517
Loan to associates	30,335	8,500
Outstanding balances arising from sales/purchases of goods and services		
Receivables	35,905	87,924
Payables	13,199	12,829

34. Related party disclosures (continued)

(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.

(d) Key management personnel compensation

	2019	2018
	$'000	$'000
Short-term employee benefits	2,972	2,766
Post employee benefits	132	106
Employee option plan	1,263	5,608
Total compensation paid to key management personnel	**4,367**	**8,480**

(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:

	2019	2018
	Number of rights	Number of rights
Balance at the start of the financial year	1,600,000	-
Granted during the year	2,052,041	1,600,000
Cancelled during the year	(128,000)	-
Balance at the end of the financial year	**3,524,041**	**1,600,000**

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

Tranche	Grant date	Fair value at grant date ($AUD)	Number of performance rights outstanding 31 December 2019	Number of performance rights outstanding 31 December 2018
FY18 Tranche	23 July 2018	$1.39	736,000	800,000
	23 July 2018	$2.27	368,000	400,000
	23 July 2018	$2.27	368,000	400,000
FY19 Tranche	19 March 2019	$1.73	699,047	-
	19 March 2019	$2.23	699,047	-
	23 May 2019	$1.31	270,599	-
	23 May 2019	$1.97	270,599	-
	22 October 2019	$1.32	56,375	-
	22 October 2019	$1.79	56,374	-
			3,524,041	**1,600,000**

34. Related party disclosures (continued)

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

Fair value of performance rights

The FY19 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 FY19 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.

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
19-Mar-19	$2.52	2.79 years	25%	1.45%	4.40%	31-Dec-21
23-May-19	$2.21	2.61 years	25%	1.07%	4.40%	31-Dec-21
22-Oct-19	$1.96	2.19 years	27.5%	0.71%	4.10%	31-Dec-21

(f) Deferred Share Rights Issued

During the period the Company issued share rights to certain members of senior management. 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.

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

	2019	2018
	Number of rights	**Number of rights**
Balance at the start of the financial year	-	-
Granted during the year	213,903	-
Cancelled during the year	-	-
Balance at the end of the financial year	**213,903**	**-**

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

Grant date	Fair value at grant date ($AUD)	Number of deferred share rights outstanding 31 December 2019	Number of deferred share rights outstanding 31 December 2018
22 October 2019	$1.88	**213,903**	-

The above deferred share rights vest on 31 December 2020.

Fair value of performance rights

The deferred share rights were valued by adjusting the share price with the expected dividends for the period from the grant to the vesting 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 or the 2018 Annual Report. 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.

	2019	2018
	Number of options	**Number of options**
Balance at the start of the financial year	16,534,520	-
Issued during the year	-	16,534,520[1]
Exercised during the year	(7,882,734)	-
Balance at the end of the financial year	**8,651,786**	**16,534,520**

[1] Legacy LTI options issued in connection with the Company's Initial Public Offer (IPO) to replace VEH Options.

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

			Number of options outstanding	
Grant date	**Expiry date**	**Exercise price ($AUD)**	**31 December 2019**	**31 December 2018**
26 April 2016	1 January 2020	0.82	6,152,382	13,073,808
26 April 2016	1 January 2020	1.51	961,310	1,922,618
25 October 2017	1 January 2022	1.21	1,538,094	1,538,094
Total			**8,651,786**	**16,534,520**
Weighted average remaining contractual life of options outstanding at end of period			0.4 years	1.2 years

Total expenses arising from employee plan transactions recognised during the 2019 year was $2,248,341 (2018: $1,900,000).

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.

	2019	2018
	$	**$**
Audit or review services:		
Audit or review of financial reports of the Group#	1,015,000	635,000
Non-audit services:		
Other assurance services*	70,000	2,197,824
Due diligence services and other services	27,381	117,276
Total	**1,112,381**	**2,950,100**

 # 2019 Audit or review services include $220,000 additional work for 2018 audit.
** Other assurance services in 2018 includes $2,127,824 of IPO related services.*

35. Auditor's remuneration (continued)

The Directors have formed the view, based on advice from the Risk and Audit Committee, that the provision of non-audit services during the 2019 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 52.

36. Events occurring after the reporting period

Divestment of Viva Energy REIT investment and use of proceeds

On 21 February 2020, the Group confirmed that it had sold its 35.5 percent security holding in Viva Energy REIT (VVR) by way of a fully underwritten block trade, and a sale to each of the Charter Hall Group (ASX: CHC) and the Charter Hall Long WALE REIT (ASX: CLW). A 25.5 percent interest in VVR was sold through the underwritten trade, and a 5 percent interest was sold to each of CHC and CLW. Following completion of those transactions, the Company will receive $2.66 per VVR security, being a total of $734.3 million, and an estimated $112.9 million pre-tax profit on the sales. Following receipt of proceeds, the Group intends to return capital to shareholders through a potential buy-back of shares in the Company, subject to all necessary approvals.

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 2019 set out on pages 53 to 108 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 2019 and of its performance for the year ended on that date;

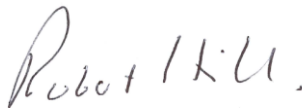
(b) there are reasonable grounds to believe that the Viva Energy Group will be able to pay its debts as and when they become due and payable; and

(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 58 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 2019.

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



Robert Hill
Chairman

Scott Wyatt
CEO and Director

24 February 2020

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:

- giving a true and fair view of the Group's financial position as at 31 December 2019 and of its financial performance for the year then ended
- complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated statement of profit or loss for the year ended 31 December 2019
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of financial position as at 31 December 2019
- 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 and 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.

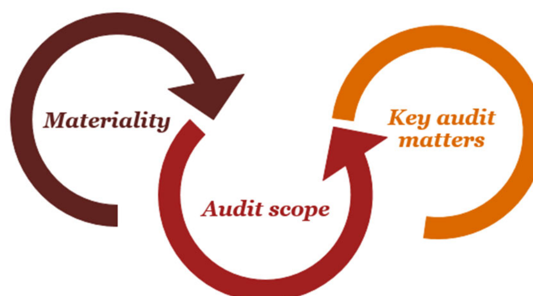
PricewaterhouseCoopers, ABN 52 780 433 757
2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

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 $12.4 million, which represents approximately 5% of the Group's weighted current and previous two year average 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 Group's profit before tax because, in our view, it is a benchmark against which the performance of the Group is commonly measured and is a generally accepted benchmark. We used a weighted average over three years to respond to longer-term trends in refining margins and reduce volatility in the measure year-on-year. • We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.	• 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: – Inventory valuation – Environmental and asset retirement provisions – Lease accounting and adoption of new Australian Accounting Standard AASB 16 Leases • These are further described in the *Key audit matters* section of our report.

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
Inventory valuation *(Refer to note 5) [$1,195.6m]* The Group accounts for inventory at standard cost and to allocate 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*. Allocation of PPVs and the month-end adjustments are estimates and require the use of judgement. This was a key audit matter due to the judgement involved and the significance of the inventory balance.	To assess the valuation of inventory, we performed the following procedures amongst others: ● Assessed the design and operating effectiveness of relevant key internal controls over inventory valuation. ● Tested the mathematical accuracy for a sample of the valuation calculations. ● Tested the consistency of key inputs into the valuation models used to calculate the FIFO adjustments, including refining margins and manufacturing costs, by comparing them to evidence obtained from other audit procedures. ● Assessed the reasonableness of management's assumptions used to allocate PPVs by comparing against inventory turnover. ● Compared the carrying value of inventory to the estimated selling price obtained from an external website to check that inventory was measured at the lower of cost and net realisable value.
Environmental and asset retirement provisions *(Refer to note 17) [$134.5m]* As at 31 December 2019, the Group recognised the following provisions: ● Environmental provisions: $40.1m ● Asset retirement provision: $94.4m 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 to prepare 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.

Lease accounting and adoption of new Australian Accounting Standard AASB 16 Leases (AASB 16) *(Refer to note 13) [$2,448.3m]* On 1 January 2019, the Group adopted AASB 16 and as a result, applied new accounting policies for leasing from that date. As at 31 December 2019, the Group recognised the following: • Right-of-use (RoU) assets: $2,328.1m • Lease liabilities (current and non-current): $2,448.3m We considered the adoption AASB 16 a key audit matter given: • the financial significance of RoU assets and Lease liabilities • the judgement required in determining the lease term where the lease contract contains an option to extend or terminate the lease • the judgements in assessing the criteria of the Group's sublease arrangements in determining the appropriate accounting treatment.	We performed the following procedures amongst others: • Tested the mathematical accuracy of the calculation of the RoU asset and the Lease liability on a sample basis. • Selected a sample of lease agreements and agreed key inputs to the supporting lease contracts and performed a recalculation of impact to RoU assets and Lease liabilities. • Assessed the reasonableness of management assumptions in the determination of lease terms, including extension and termination options, in the context of the requirements of AASB 16. • Assessed the appropriateness of the accounting treatment of sublease arrangements. • Evaluated the adequacy of the lease disclosures in light of the requirements of Australian Accounting Standards.

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 2019, but does not include the financial report and our auditor's report thereon. Prior to the date of this auditor's report, the other information we obtained included the Operating and financial review, Board of Directors and Directors' Report. We expect the remaining other information to be made available to us after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express an opinion or 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.

When we read the other information not yet received, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action to take.

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: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the remuneration report

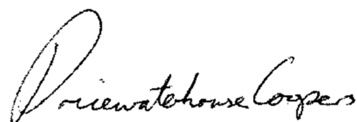
Our opinion on the remuneration report

We have audited the remuneration report included in pages 30 to 46 of the Financial report for the year ended 31 December 2019.

In our opinion, the remuneration report of Viva Energy Group Limited for the year ended 31 December 2019 complies with section 300A of the *Corporations Act 2001*.

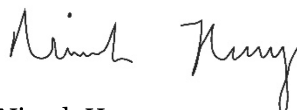
Responsibilities

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 2020