Viva Energy Group Limited (the “Company”)
ACN 626 661 032
Appendix 4D: Half-year report

Results for announcement to the market

The current reporting period is the six month period ended 30 June 2022. The previous corresponding period is the six month period ended 30 June 2021.

	30-Jun-22 A$M	30-Jun-21 A$M	% Change
Revenue	**11,517.1**	**7,217.0**	**59.6%**
Profit from ordinary activities after tax / net profit for the period attributable to shareholders			
Historical cost basis	**520.9**	**130.1**	**300.4%**
Replacement cost basis	**355.4**	**111.9**	**217.6%**

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 International Financial Reporting Standards (IFRS).

Viva Energy reports its 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 (HC) 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. Replacement cost basis reporting captures this cost of goods sold restatement and the inclusion of lease expense, with the impact of applying AASB16 recognised between NPAT (RC) and NPAT (HC). Significant items, and revaluation gain on FX and oil derivatives will also be recognised between NPAT (RC) and NPAT (HC).

	30-Jun-22 A$	30-Jun-21 A$	% Change
Net tangible asset per share	**1.27**	**0.97**	**30.9%**

Net tangible asset per share is derived by dividing net tangible assets by the number of ordinary shares on issue as at 30 June 2022. Net tangible assets are net assets attributable to members less intangible assets. Right of use assets have been treated as tangible for the purpose of this calculation.

Dividends	**2022 cents**
2022 Interim dividend – amount per security (fully franked)	13.7 cents
Trading on ex-dividend basis	7 September 2022
Record date for determining entitlement to interim dividend	8 September 2022
Date dividend expected to be paid	22 September 2022

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.

Julia Kagan
Company Secretary
25 August 2022

Viva Energy Group Limited and controlled entities

Interim report - 30 June 2022

ACN: 626 661 032
ABN: 74 626 661 032

Contents

Directors' report

The Directors present their report, together with the Financial Report of Viva Energy Group Limited (the 'Company') and the entities it controlled (collectively, the 'Group'), for the half-year ended 30 June 2022.

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:

- Operating and financial review on pages 4 to 14; and
- External auditor's independence declaration on page 16.

A reference to Viva Energy, we, us or our is a reference to the Group or the Company, as the case may be.

Directors

The following persons were Directors of the Company during the whole of the half-year and up to the date of this report (unless otherwise stated):

Robert Hill	Chairman, Independent Non-Executive Director
Scott Wyatt	Chief Executive Officer (CEO), Managing Director
Dat Duong	Non-Executive Director
Michael Muller	Non-Executive Director
Arnoud De Meyer	Independent Non-Executive Director
Sarah Ryan	Independent Non-Executive Director
Nicola Wakefield Evans	Independent Non-Executive Director

Company Secretaries

The following persons were Company Secretaries during the whole of the half-year and up to the date of this report (unless otherwise stated):

Julia Kagan	Company Secretary
Cheng Tang	Company Secretary

Principal Activities

During the period, 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.

Operating and financial review

Company overview

Viva Energy is one of Australia's leading energy companies. The Group owns and operates an oil refinery in Victoria together with an extensive import, storage and distribution infrastructure network, including a presence at over 50 airports and airfields across the country. Crude oil and refined products are procured and imported by Vitol, one of the world's largest independent energy commodity trading companies.

Retail, Fuels and Marketing - Retail

Viva Energy supplies and markets quality fuel products through a national network of over 1,340 Shell, Liberty and Westside branded retail service stations with over 710 of the sites being operated by Coles Express under the Coles Alliance. Viva Energy also supplies other retail operators.

Retail, Fuels and Marketing - Commercial

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

Directors' report (continued)

Operating and financial review (continued)

Refining

Viva Energy owns and operates the country's 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 (approximately 50% of Victoria's fuel demand) and is the only manufacturer of bitumen, aviation gasoline (Avgas) for use in piston engine aircraft, aromatic and aliphatic based solvents, and polypropylene products.

Supply and Distribution

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 provides marine fuels to cruise and container shipping industries in Sydney and Melbourne by barge, and also contracts with a number of fuel transport companies to distribute fuels to customers throughout the country. Through its wholly owned subsidiary, Liberty Wholesale, Viva Energy also operates its own fuel delivery fleet of over 80 vehicles.

Consolidated results for the half-year ended 30 June 2022

The Group Net Profit After Tax (NPAT) on a historical cost basis (HC) for the half-year ended 30 June 2022 (1H2022) was $520.9 million (M). After adjusting for net inventory gain, significant one-off items, revaluation loss and the AASB16 Lease impacts, NPAT on a Replacement Cost basis (RC) for the period was $355.4M. A reconciliation from Statutory Profit After Tax (HC) to Net Profit After Tax (RC) is summarised in the table below.

Reconciliation of Statutory Profit After Tax to Net Profit After Tax (RC)	(A$M)
Statutory Profit After Tax	**520.9**
Less : Net inventory gain net of tax at 30%	(191.2)
Less: Significant one-off item - gain on bargain purchase	(7.8)
Add: Revaluation loss on FX and oil derivatives net of tax at 30%	3.6
Add: AASB16 Lease impact net of tax at 30%	29.9
Net Profit After Tax (RC)	**355.4**

Historical cost is calculated in accordance with International Financial Reporting Standards (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.

To further assist with the assessment of the underlying performance of the business, Replacement Cost measures include lease expense and exclude lease interest and right of use amortisation. These amounts are captured in the "AASB16 Lease impact" line item in the above reconciliation table. Financial measures based on replacement costs and inclusive of lease expense are identified by the use of the suffix "RC".

Directors' report (continued)

Operating and financial review (continued)

1H2022 Business Performance Summary

Viva Energy delivered an exceptional performance in the first six months of 2022 with Group EBITDA (RC) increasing by 139% year-on-year to $611.7M. The Geelong Refinery operated at near-record levels of production during a time of high regional refining margins. The refinery continues to play a key role in supporting domestic markets through a period of substantial global supply chain disruption, driven by the conflict in Ukraine.

The Retail, Fuels & Marketing business also achieved solid growth during the period, with a recovery and new growth avenues in the Commercial business offsetting some headwinds in Retail from rising fuel prices and softer market demand.

The result demonstrates the Group's diversified business model through its resilience to volatile market conditions and the distinct earnings drivers for each of its segments which, in this period, supported Commercial and Refining.

The Group remain positive about the outlook and with a net-cash balance sheet, is well positioned on the strategic agenda to develop and maximise new growth opportunities across the diverse businesses. So far in 2022, the Group have announced the hydrogen mobility project - the first step in establishing a network along the east coast of Australia, completed the LyondellBasell Australia (rebranded Viva Energy Polymers) acquisition and, in July, reached an agreement with GeelongPort to build pier berthing infrastructure for the proposed Gas Terminal Project. Further developments to the Group's Energy Hub also includes committed funding to upgrade processing capability at Geelong Refinery to produce Ultra-Low Sulphur Gasoline (ULSG), and commenced construction for 90 million litres of diesel storage at the Refinery, improving processing flexibility and export capability.

Directors' report (continued)

Operating and financial review (continued)

Summary Statement of Profit and Loss

	(A$M)	30 June 2022			30 June 2021			Variance
		Group	RFM [1]	Refining	Group	RFM [1]	Refining	Group
	Revenue	11,517.1	11,517.1	-	7,217.0	7,217.0	-	4,300.1
	Cost of goods sold (RC)	(10,228.3)	(10,752.8)	524.5	(6,428.1)	(6,543.7)	115.6	(3,800.2)
	Gross Profit (RC)	**1,288.8**	**764.3**	**524.5**	**788.9**	**673.3**	**115.6**	**499.9**
	Retail, Fuels & Marketing							
	Retail	*372.6*	*372.6*	-	*373.7*	*373.7*	-	*(1.1)*
	Commercial	*391.7*	*391.7*	-	*299.6*	*299.6*	-	*92.1*
	Refining	*524.5*	-	*524.5*	*115.6*	-	*115.6*	*408.9*
1.	**Total EBITDA (RC)**	**611.7**	**246.9**	**364.8**	**256.3**	**217.6**	**38.7**	**355.4**
	Retail, Fuels & Marketing							
	Retail	*88.6*	*88.6*	-	*116.7*	*116.7*	-	*(28.1)*
	Commercial	*164.3*	*164.3*	-	*105.9*	*105.9*	-	*58.4*
	Refining	*370.8*	-	*370.8*	*43.8*	-	*43.8*	*327.0*
	Corporate	*(12.0)*	*(6.0)*	*(6.0)*	*(10.1)*	*(5.0)*	*(5.1)*	*(1.9)*
2.	Share of profit from associates	1.0	1.0	-	0.1	0.1	-	0.9
	Net gain/(loss) on other disposal of assets	0.2	0.2	-	(0.1)	(0.1)	-	0.3
3.	Depreciation and amortisation	(88.0)	(52.0)	(36.0)	(86.6)	(54.0)	(32.6)	(1.4)
	Profit before interest and tax (RC)	**524.9**	**196.1**	**328.8**	**169.7**	**163.6**	**6.1**	**355.2**
4.	Net finance costs	(16.6)	(14.1)	(2.5)	(6.7)	(5.3)	(1.4)	(9.9)
	Profit before tax (RC)	**508.3**	**182.0**	**326.3**	**163.0**	**158.3**	**4.7**	**345.3**
5.	Income tax expense (RC)	(152.9)	(55.0)	(97.9)	(51.1)	(49.7)	(1.4)	(101.8)
6.	**Net Profit After Tax (RC)**	**355.4**	**127.0**	**228.4**	**111.9**	**108.6**	**3.3**	**243.5**
7.	Significant one-off items [2]	7.8	7.8	-	-	-	-	7.8
8.	Net inventory gain [2]	191.2	185.8	5.4	79.7	66.2	13.5	111.5
9.	Revaluation loss on FX and oil derivatives [2]	(3.6)	(1.8)	(1.8)	(25.4)	(12.7)	(12.7)	21.8
10.	AASB 16 Lease impact [2]	(29.9)	(29.9)	-	(36.1)	(36.1)	-	6.2
	Net Profit After Tax (HC)	**520.9**	**288.9**	**232.0**	**130.1**	**126.0**	**4.1**	**390.8**
	Statutory earnings (cents) per share (HC)	33.7			8.1			25.6
	Underlying earnings (cents) per share (RC)	23.0			7.0			16.0

[1] Retail, Fuels and Marketing (RFM).
[2] Results are reported net of tax.

The table below provides a reconciliation by segment profit/(loss) before tax (RC) per the above summary statement of profit or loss, to profit/(loss) before tax (HC) in note 6 *Segment information* within the financial statements.

(A$M)	30 June 2022				30 June 2021			
	RFM	Refining	Corporate	Total Segments	RFM	Refining	Corporate	Total Segments
Profit before tax (RC) as above	**182.0**	**326.3**	**-**	**508.3**	**158.3**	**4.7**	**-**	**163.0**
Adjusted for:								
Lease expense	147.6	0.1	2.2	149.9	136.3	-	2.0	138.3
Allocations	6.0	6.0	(12.0)	-	5.0	5.1	(10.1)	-
Interest income	(1.0)	(0.1)	1.1	-	(1.0)	-	1.0	-
Right-of-use amortisation	(109.7)	-	(1.4)	(111.1)	(104.1)	-	(1.5)	(105.6)
Lease interest expense	(80.2)	-	(1.3)	(81.5)	(82.0)	-	(2.1)	(84.1)
Revaluation on FX and oil derivatives	(2.6)	(2.6)	-	(5.2)	(7.7)	(7.5)	(21.1)	(36.3)
Net inventory gain	265.4	7.7	-	273.1	109.4	4.5	-	113.9
Significant one-off items	7.8	-	-	7.8	-	-	-	-
Profitbefore tax (HC) as per segment note	**415.3**	**337.4**	**(11.4)**	**741.3**	**214.2**	**6.8**	**(31.8)**	**189.2**

Directors' report (continued)

Operating and financial review (continued)

Summary Statement of Profit and Loss Analysis

1. EBITDA (RC)

Retail, Fuels and Marketing

Retail

Retail sales volumes were up 1% on 1H2021, with lower sales in the metropolitan focussed Alliance channel offset by growth in the predominately regionally-focused Liberty Convenience and Dealer Owned channels. Weekly fuel sales in the Alliance channel averaged 56.2 million litres per week, down from 58.5 million litres per week achieved in 1H2021 due to reduced mobility, higher board prices (driven by high product costs) and adverse weather events in New South Wales and Queensland. While petrol volumes were down on the prior period, diesel volumes increased by 7% underpinned by growth in Shell Card sales and regional markets.

Retail EBITDA (RC) of $88.6M decreased from the $116.7M result achieved in the prior period as a result of softer volumes in the Alliance and margin compression from rising oil prices. Additionally, 1H2022 EBITDA (RC) was adversely impacted by the temporary six month fuel excise cut implemented by the Federal Government on 29 March 2022.

Commercial

Commercial achieved an EBITDA (RC) of $164.3M, up $58.4M compared with $105.9M achieved in 1H2021. The period on period growth in the Commercial segment was driven by increased sales volumes, resulting cost efficiencies, and improving returns in most segments. Sales volumes increased by 7.5% as a result of new business wins and continued recovery in segments most impacted by the pandemic, particularly Aviation and Marine.

Refining

Refinery operations and financial performance improved significantly compared to the 1H2021 driven by strong global demand for refined products, especially diesel, and tightening supply as a result of refinery closures both local and regionally. Geelong Refining Margin (GRM) in 1H2022 was US$19.9/BBL, up from US$6.1/BBL in the prior period, with margins benefiting from higher diesel, jet and gasoline cracks, higher production and improved product yield. The Refinery delivered an EBITDA (RC) of $370.8M, up from $43.8M in the prior period.

During 1H2022 the Geelong Refinery operated at near full capacity, with intake at 21.5MBBLs and availability at 97%, compared with 1H2021 intake of 21.4MBBLs and 98% availability. Increased energy costs have led to higher variable operational costs for the period due to the tight supply in the Australian east coast energy market. Increased costs relating to exporting products, demurrage and ocean losses, as well as overall cost pressures were also incurred during the period.

During 1H2022, the Refinery received no support under the Fuels Security Services Payment (FSSP), compared to the prior period in which it received $40.6M from the Federal Government's Temporary Refining Production Payment (TRRP).

Corporate

Corporate costs relate to certain head office functions and commonly used resources that are not considered appropriate to be allocated to the Group's reportable segments.

2. Share of profit from associates

Share of profit from associates represents the Group's 50% ownership of the half-year result of Liberty Oil Convenience and Fuel Barges Australia.

3. Depreciation and Amortisation

Depreciation and amortisation for the period includes $70.5M of depreciation on property, plant and equipment, $15.9M of amortisation expense on intangible assets and $1.6M on leases classified as finance leases prior to the introduction of AASB16 *Leases*. Total depreciation and amortisation of $88.0M is broadly in line with the prior comparative period. Amortisation of right of use assets is captured in line item "AASB16 Lease impact". The AASB16 Lease impact line item also captures the elimination of lease expense and the recognition of lease interest.

Directors' report (continued)

Operating and financial review (continued)

Summary Statement of Profit and Loss Analysis (continued)

4. Net finance costs

Net finance costs of $16.6M were $9.9M higher than the prior comparative period and consisted of interest income of $1.1M, interest expense on borrowings, amortised transaction costs and fees associated with trade finance instruments of $10.9M, finance costs associated with leases classified as finance leases prior to the adoption of AASB16 *Leases* of $3.9M and $2.9M from the unwinding of discounted balance sheet provisions.

The increase in net finance costs is due primarily to an increase in fees associated with trade finance instruments used to facilitate purchases and sales transactions. These costs are impacted by the price of crude and product prices which have significantly increased period on period. Additional commitment fees were also paid to complete the new syndicated loan agreement process.

5. Income tax expense

The Group is subject to income tax on the basis of historical cost earnings (NPAT HC) rather than replacement cost earnings (NPAT RC). The income tax expense for the period is $152.9M (RC) and $220.4M (HC), representing effective tax rates of 30.1% and 29.7% respectively.

6. Net Profit After Tax (RC)

The Net Profit After Tax (RC) of $355.4M represents a $243.5M increase period on period, driven primarily by significantly improved refining conditions, with Refining NPAT (RC) increasing by $225.1M. Retail, fuels and marketing also contributed to the improvement with strong Commercial results compensating for reduced margins on Retail volumes.

7. Significant one-off items

The current period significant item relates to the $7.8M gain on bargain purchase as a result of the Group's acquisition of LyondellBasell Australia. The bargain purchase is a result of the fair value of the identifiable assets and liabilities in the acquisition exceeding the total consideration paid.

8. Net inventory gain

The net inventory gain relates to the effect of movements in crude and refined product prices and foreign exchange on inventory recorded at historical cost using the FIFO principle of accounting. The gain of $191.2M (net of tax) reflects the significant increase in crude and refined product prices experienced during the half-year.

9. Revaluation loss on FX and oil derivatives

Revaluation gain/(loss) on FX and oil derivatives is impacted by realised and unrealised FX and associated hedges, flat oil price hedges and refinery margin hedging. During the half-year a loss of $3.6M (net of tax) was recognised due to actual losses outweighing gains on derivative contract positions caused by fluctuating exchange rate and increasing crude and refined product prices in the period.

10. AASB16 Lease Impact

AASB16 Lease impact reflects the elimination of lease expense, the recognition of lease interest and right of use amortisation, to then report the results in accordance with AASB16 *Leases*.

Directors' report (continued)

Operating and financial review (continued)

Summary Statement of Financial Position

(A$M)		30 June 2022	31 December 2021	Variance
1.	Working capital	279.4	177.5	101.9
2.	Property, plant and equipment	1,528.8	1,518.8	10.0
3.	Right-of-use assets	2,125.2	2,184.8	(59.6)
4.	Intangible assets	609.0	621.5	(12.5)
5.	Investment in associates	16.1	16.0	0.1
6.	Net cash / (debt)	324.1	(95.2)	419.3
7.	Lease liability	(2,467.9)	(2,480.5)	12.6
8.	Long-term provisions, other assets and liabilities	(178.4)	(136.9)	(41.5)
9.	Net deferred tax asset	349.1	305.9	43.2
10.	**Total equity**	**2,585.4**	**2,111.9**	**473.5**

Summary Statement of Financial Position Analysis

1. Working capital

Working capital increased by $101.9M, with $30.1M primarily as a result of increases in average benchmark crude and refined product prices of A$104.32/BBL between December 2021 and June 2022. Working capital also increased due to the recognition of the fair value of assets relating to the acquisition of LyondellBasell Australia ($71.7M).

2. Property, plant and equipment (PPE)

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 by $10.0M from 31 December 2021, driven by capital expenditure over the period of $90.9M, partially offset by depreciation of $70.6M, disposals of $1.0M, transfers of completed software projects to intangibles of $3.4M and a $5.9M reduction in the Group's Asset retirement costs due to the revision of inflation and discount rates.

A breakdown of capital expenditure by segment is outlined below.

(A$M)		30 June 2022	30 June 2021	Variance
a.	Retail, Fuels & Marketing	35.6	20.8	14.8
b.	Refining			
	Base expenditure	13.3	4.8	8.5
	Major Maintenance	6.8	15.4	(8.6)
c.	Energy Hub	35.2	5.3	29.9
	Corporate	-	1.0	(1.0)
	Capital Expenditure	**90.9**	**47.3**	**43.6**

Directors' report (continued)

Operating and financial review (continued)

Summary Statement of Financial Position Analysis (continued)

2. Property, plant and equipment (PPE) (continued)

a. Retail, Fuels and Marketing

Retail, Fuels and Marketing capital expenditure of $35.6M includes capital expenditure of $16.1M ($12.4M in 1H2021) for new site branding, refreshing network convenience stores and forecourts together with tank replacements, tank relines and other asset integrity works. In addition, $19.5M ($8.4M in 1H2021) relates to spending to ensure the integrity of the Group's terminals, pipelines, depot works and branding of dealer owned sites within the Liberty Wholesale network. The period-on-period increase is reflective of a focus on essential spend only in the prior comparative period, combined with a renewed focus on improving the customer retail experience.

b. Refining

Base Refining capital expenditure

Base Refinery capital expenditures during the period was $13.3M, $2.7M of which was in relation to the Distributed Controls System upgrade, and the remaining relating to ongoing asset integrity and tank maintenance activity.

Major Maintenance

Major maintenance capital expenditure during the half-year of $6.8M relates primarily to activity on the Crude Distillation Unit in preparation for 2023 event, and work being currently undertaken on a Refinery's Boiler unit.

c. Energy Hub

Energy Hub expenditure during the period of $35.2M related to progressive works on the Ultra-Low Sulphur Gasoline Project, advancing the Gas Terminal Project towards a final investment decision; reaching the first milestone on the Hydrogen Refuelling Station and progression to execution phase on the minimum stock obligation Strategic Storage Facility.

3. Right-of-use assets

The right-of-use assets balance at 30 June 2022 was $2,125.2M, a decrease of $59.6M from 31 December 2021. Impacting this balance during the period was depreciation recognised of $112.6M and lease terminations of $3.0M, with these decreases partially offset by lease extensions, new leases and the impact of lease payment escalations totalling $56.0M.

4. Intangible assets

Intangible assets decreased by $12.5M during the half-year primarily due to amortisation charges of $15.9M offset in part by the capitalisation of software projects totalling $3.4M.

5. Investment in associates

This balance relates to the Group's 50% ownership of Liberty Convenience and Fuel Barges Australia. $1.0M in associate company profit was recognised in the period, offset by $0.9M in dividends recognised.

6. Net cash/(debt)

Net cash/(debt) relates to Viva Energy's Revolving Credit Facility (RCF) which is used as a working capital facility to fund fluctuations in working capital, net of cash at bank. Viva Energy does not hold any long term structural debt. The Group repaid its outstanding debt during the period. The $324.1M at 30 June 2022 represents the Group's cash balance.

7. Lease liability

The lease liability balance at half-year was $2,467.9M, a decrease of $12.6M from the prior comparative period, with lease extensions, new leases and lease escalations of $56.0M, was offset by payments of lease principal totalling $65.3M made during the period and terminations of $3.3M.

Directors' report (continued)

Operating and financial review (continued)

Summary Statement of Financial Position Analysis (continued)

8. Long term provisions, other assets and liabilities

The increase in the net liability of $41.5M during the period primarily represents an increase in non-current deferred income through the receipt of government grants during the period totalling $25.3M to assist in funding the Strategic Storage facility and New Energies Service Station at the Geelong Refinery. Contingent consideration of $19.6M has also been recognised in the period, and represents the present value of the estimated earn-out payable as part of the LyondellBasell Australia acquisition.

9. Net deferred tax asset

The net deferred tax asset relates to the tax effected difference between the carrying value of assets and liabilities recorded for accounting purposes, and those recorded for tax purposes.

The movement in this balance during the half-year arises from the typical movements in deferred tax due to origination or reversal of temporary differences between taxable income and profit during the period, along with movements posted directly to equity or other comprehensive income, with the primary driver of the increase being the higher relative tax base of trading stock for tax purposes given increased oil prices.

10. Total equity

Total equity increased by $473.5M due to the recognition of net profit after tax of $520.9M and net increases through other comprehensive income (OCI), transactions relating to the Group's share based incentive plans and the associated purchase of treasury shares totalling $2.1M; partially offset by payment of the 2021 final dividends totalling $49.5M (being net of $0.1M in dividends settled from treasury shares).

Directors' report (continued)

Operating and financial review (continued)

Summary Statement of Cash Flows

	(A$M)	30 June 2022	30 June 2021	Variance
	Profit before interest, tax, depreciation and amortisation (HC) before significant items	**1,038.3**	**480.9**	**557.4**
	Increase in trade and other receivables	(846.3)	(390.0)	(456.3)
	Increase in inventories	(1,060.3)	(461.4)	(598.9)
	Decrease in prepayments	38.6	11.4	27.2
	Increase in trade and other payables	1,565.5	734.3	831.2
	Decrease in provisions	(15.2)	(4.7)	(10.5)
1.	Changes in working capital	(317.7)	(110.4)	(207.3)
2.	Non-cash items in profit before interest, tax, depreciation and amortisation	33.2	2.2	31.0
	Repayment of lease liability	(65.3)	(60.8)	(4.5)
	Interest on capitalised leases	(85.4)	(87.4)	2.0
	Operating free cash flow before capital expenditure	**603.1**	**224.5**	**378.6**
	Payments for PP&E and intangibles	(90.9)	(48.3)	(42.6)
	Proceeds from sale of PP&E	0.6	0.3	0.3
	Net inflow/(outflow) for land developments	-	1.6	(1.6)
3.	Acquisition of investments	(18.0)	-	(18.0)
4.	Payment for treasury shares (net of contributions)	(2.8)	(0.2)	(2.6)
5.	Government grant receipts	25.3	-	25.3
	Net free cash flow before financing, tax and dividends	**517.3**	**177.9**	**339.4**
6.	Finance costs	(8.8)	(3.1)	(5.7)
7.	Net Income tax payments	(38.9)	(25.1)	(13.8)
	Net cash flow available for dividends and before borrowings	**469.6**	**149.7**	**319.9**
8.	Dividends paid	(49.5)	-	(49.5)
9.	Net repayment of borrowings	(197.0)	(47.8)	(149.2)
	Net cash flow	**223.1**	**101.9**	**121.2**
	Opening net debt	**(95.2)**	**(104.2)**	**9.0**
	Amortisation of borrowing costs	(0.8)	(0.8)	-
	Closing net cash	**324.1**	**44.7**	**279.4**
	Change in net cash	**419.3**	**148.9**	**270.4**

Directors' report (continued)

Operating and financial review (continued)

Summary Statement of Cash Flows analysis

1. Changes in working capital

Inventory has increased primarily as a result of an increase in average benchmark crude and refined product prices of A$104.32/BBL compared to the increase in 1H2021 of A$30.04/BBL. The increase in inventory value also had a significant increasing impact on the movement in receivables and payables.

2. Non-cash items

Profit before interest, tax, depreciation and amortisation (HC) before significant items includes certain non-cash items totalling $33.2M, comprising the $7.8M gain on bargain purchase from the LyondellBasell Australia acquisition, a $1.0M gain from share of profit in associates and $0.2M in other minor amounts, offset by net unrealised losses on foreign exchange and derivatives of $38.5M and $3.7M in transactions relating to employee share based payments.

3. Acquisition of investments

The $18.0M net cash outflow from the acquisition of investments represents the initial $25.4M paid to acquire LyondellBasell Australia, less the $7.4M in cash and cash equivalents in the books of the acquired subsidiary.

4. Payment for treasury shares (net of contributions)

During the half-year 1,113,855 shares were purchased at an average price of $2.48 per share ($2.8M).

5. Government grant receipts

During the period the Group received $25.3M cash in government grants to assist the Group in funding the Strategic Storage facility and New Energies Service Station at the Geelong Refinery.

6. Finance costs

Financing cost cash outflows have increased by $5.7M due primarily to an increase in fees associated with trade finance instruments used to facilitate purchases and sales transactions. These costs are impacted by the price of crude and product prices which have significantly increased period on period. Additional commitment fees were also paid to complete the new syndicated loan agreement process.

7. Net income tax payments

The net income tax payments of $38.9M for the period represents $36.7M in tax payments relating to the Group's 2021 financial year income tax return (whereby the Group's final tax liability exceeded the instalments paid during the prior year), and tax payments of $2.2M by the Group on behalf of its Singapore tax resident entity (Viva Energy S.G. Pte Ltd) to the Singapore tax authority.

8. Dividends paid

On 24 March 2022 the Company paid a fully-franked final dividend of 3.2 cents in relation to the six months ended 31 December 2021 totalling $49.5M (net of $0.1M in dividends relating to treasury shares).

9. Net repayment of borrowings

All borrowings related to the Group's syndicated working capital facility were repaid during the half-year, with increased cash flow from operating activities used to manage working capital requirements.

Directors' report (continued)

Dividends

The Company paid a dividend of $49.6M (3.2 cents per share) to shareholders on 24 March 2022 in relation to the six month period ended 31 December 2021.

A fully-franked interim dividend of 13.7 cents per share was determined by the Board on 25 August 2022, payable to shareholders on 22 September 2022. This dividend has not been included as a liability in these interim financial statements. The total estimated dividend to be paid is $212.6M.

Events occurring after the end of the reporting period

There are no matter or circumstance occurring subsequent to the end of the period that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

Auditor's independence declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001 (Cth)* is included on page 16.

Rounding of amounts

The Company is of a kind referred to ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the Directors' report and financial report. Amounts in the Directors' report and financial report have been rounded off to the nearest hundred thousand dollars in accordance with the instrument, unless stated otherwise.

This report is made in accordance with a resolution of Directors.

Robert Hill
Chairman

Scott Wyatt
CEO and Managing Director

25 August 2022

Auditor's Independence Declaration

As lead auditor for the review of Viva Energy Group Limited for the half-year ended 30 June 2022, 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 review; and

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

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

Trevor Johnston

Trevor Johnston
Partner
PricewaterhouseCoopers

Melbourne
25 August 2022

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Consolidated statement of profit or loss

For the half-year ended 30 June 2022

	Notes	30 June 2022 $M	30 June 2021 $M
Revenue	4	**11,517.1**	**7,217.0**
Replacement cost of goods sold		(8,019.9)	(3,885.8)
Net inventory gain		273.1	113.9
Sales duties, taxes and commissions		(2,005.0)	(2,440.5)
Import freight expenses		(203.4)	(101.8)
Historical cost of goods sold		**(9,955.2)**	**(6,314.2)**
Gross profit		**1,561.9**	**902.8**
Net gain/(loss) on other disposal of property, plant and equipment		0.2	(0.1)
Gain on bargain purchase	13	7.8	-
Other income	5	-	43.7
Other income		**8.0**	**43.6**
Transportation expenses		(158.3)	(122.6)
Salaries and wages		(150.0)	(138.7)
General and administration expenses		(84.4)	(73.9)
Maintenance expenses		(55.0)	(49.6)
Lease related expenses		(8.5)	(3.7)
Sales and marketing expenses		(55.1)	(40.9)
		1,058.6	**517.0**
Interest income		1.1	1.0
Share of profit of associates		1.0	0.1
Realised/unrealised gain on derivatives		11.9	5.9
Net foreign exchanges loss		(33.2)	(42.1)
Depreciation and amortisation expenses	5	(199.1)	(197.7)
Finance costs	5	(99.0)	(95.0)
Profit before income tax		**741.3**	**189.2**
Income tax expense	9	(220.4)	(59.1)
Profit after tax		**520.9**	**130.1**

Earnings per share		**cents**	**cents**
Basic earnings per share		33.7	8.1
Diluted earnings per share		33.5	8.0

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

Consolidated statement of comprehensive income

For the half-year ended 30 June 2022

	Notes	30 June 2022 $M	30 June 2021 $M
Profit for the half-year		**520.9**	**130.1**
Other comprehensive income			
Other comprehensive income not to be reclassified to profit or loss in subsequent periods (net of tax)			
Changes in fair value of equity investments (net of tax)		(1.0)	-
Remeasurement of retirement benefit obligations		2.7	4.5
Net other comprehensive income		**1.7**	**4.5**
Total comprehensive income for the half-year (net of tax)		**522.6**	**134.6**

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

Consolidated statement of financial position

As at 30 June 2022

	Notes	30 June 2022 $M	31 December 2021 $M
ASSETS			
Current assets			
Cash and cash equivalents		324.1	96.7
Trade and other receivables		2,147.4	1,293.1
Inventories	8	2,297.5	1,179.5
Assets classified as held for sale		1.5	1.4
Derivative assets		23.7	6.8
Prepayments		10.1	28.0
Total current assets		**4,804.3**	**2,605.5**
Non-current assets			
Long-term receivables		23.1	40.6
Property, plant and equipment		1,527.3	1,517.4
Right-of-use assets		2,125.2	2,184.8
Goodwill and other intangible assets		609.0	621.5
Post-employment benefits		9.6	6.8
Investments accounted for using the equity method		16.1	16.0
Financial assets at fair value through other comprehensive income		7.8	9.2
Net deferred tax assets		349.1	305.9
Other non-current assets		5.4	1.2
Total non-current assets		**4,672.6**	**4,703.4**
Total assets		**9,476.9**	**7,308.9**
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables		3,771.2	2,145.7
Provisions		140.2	143.1
Short-term lease liabilities		159.2	149.4
Derivative liabilities		15.5	8.6
Current tax liabilities		264.2	34.2
Total current liabilities		**4,350.3**	**2,481.0**
Non-current liabilities			
Provisions		92.8	96.2
Long-term borrowings		-	191.9
Long-term lease liabilities		2,308.7	2,331.1
Long-term payables		139.7	96.8
Total non-current liabilities		**2,541.2**	**2,716.0**
Total liabilities		**6,891.5**	**5,197.0**
Net assets		**2,585.4**	**2,111.9**
Equity			
Contributed equity	12	4,252.5	4,252.5
Treasury shares	12	(11.5)	(12.7)
Reserves		(4,200.8)	(4,201.7)
Retained earnings		2,545.2	2,073.8
Total equity		**2,585.4**	**2,111.9**

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

Consolidated statement of changes in equity

For the half-year ended 30 June 2022

	Notes	Contributed equity $M	Treasury shares $M	Reserves $M	Retained earnings $M	Total equity $M
Balance at 1 January 2021		**4,373.9**	**(6.8)**	**(4,216.6)**	**1,906.6**	**2,057.1**
Statutory profit for the half-year		-	-	-	130.1	130.1
Remeasurement of retirement benefit obligations		-	-	4.5	-	4.5
Total comprehensive income for the half-year		**-**	**-**	**4.5**	**130.1**	**134.6**
Share based payment reserve movement		-	-	2.2	-	2.2
Purchase of treasury shares		-	(0.2)	-	-	(0.2)
Issue of shares to plan participants		-	1.9	-	-	1.9
Balance at 30 June 2021		**4,373.9**	**(5.1)**	**(4,209.9)**	**2,036.7**	**2,195.6**
Balance at 1 January 2022		**4,252.5**	**(12.7)**	**(4,201.7)**	**2,073.8**	**2,111.9**
Statutory profit for the half-year		-	-	-	520.9	520.9
Remeasurement of retirement benefit obligations		-	-	2.7	-	2.7
Changes in the fair value of equity investments through other comprehensive income		-	-	(1.0)	-	(1.0)
Total comprehensive income for the half-year		**-**	**-**	**1.7**	**520.9**	**522.6**
Dividends paid (net of dividends paid on treasury shares)	7	-	-	-	(49.5)	(49.5)
Share based payment reserve movement		-	-	(0.8)	-	(0.8)
Purchase of treasury shares	12b	-	(2.8)	-	-	(2.8)
Issue of shares to plan participants	12b	-	4.0	-	-	4.0
Balance at 30 June 2022		**4,252.5**	**(11.5)**	**(4,200.8)**	**2,545.2**	**2,585.4**

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

Consolidated statement of cash flows

For the half-year ended 30 June 2022

	Notes	30 June 2022 $M	30 June 2021 $M
Operating activities			
Receipt from trade and other debtors		14,223.3	8,596.3
Payments to suppliers and employees		(13,481.6)	(8,230.8)
JobKeeper payments received	5	-	6.2
Federal Security Services Package payments received	5	12.4	-
Interest received		1.1	1.0
Interest paid on loans		(5.9)	(3.1)
Interest paid on lease liabilities		(85.4)	(87.4)
Net income tax paid		(38.9)	(25.1)
Net cash flows from operating activities		**625.0**	**257.1**
Investing activities			
Payments for purchases of property, plant and equipment and intangibles		(90.9)	(48.3)
Proceeds from sale of property, plant and equipment		0.6	0.3
Receipt of government grant		25.3	-
Purchase of land for resale		-	(0.9)
Proceeds from sale of land		-	2.5
Net cash consideration paid for acquisitions	13	(18.0)	-
Net purchase of employee share options		(2.8)	(0.2)
Net cash flows used in investing activities		**(85.8)**	**(46.6)**
Financing activities			
Drawdown of borrowings		1,725.0	1,630.0
Repayments of borrowings		(1,920.0)	(1,675.0)
Dividends paid (net of dividend paid on treasury shares held)	7	(49.5)	-
Upfront financing cost paid and capitalised		(2.0)	(2.8)
Repayment of lease liability		(65.3)	(60.8)
Net cash flows used in financing activities		**(311.8)**	**(108.6)**
Net increase in cash and cash equivalents		227.4	101.9
Cash and cash equivalents at the beginning of the half-year		96.7	49.1
Cash and cash equivalents at the end of the half-year		**324.1**	**151.0**

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

Notes to the consolidated financial statements

1. Corporate information

Reporting entity

The consolidated interim financial report of Viva Energy Group Limited ('Company') and the entities it controlled (collectively, 'Group') for the half-year reporting period ended 30 June 2022 were authorised for issue in accordance with a resolution of the Directors on 25 August 2022. 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).

2. Basis of preparation

The consolidated interim financial report for the half-year ended 30 June 2022:

- has been prepared in accordance with the *Corporations Act 2001* (Cth) and Australian Accounting Standard AASB134 *Interim Financial Reporting*;
- does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the 31 December 2021 Annual Report and any public announcements made by Viva Energy Group Limited during the interim period in accordance with the continuous disclosure requirements of the *Corporations Act 2001* (Cth) and the Listing Rules of the ASX; and
- is presented in Australian dollars ($) and rounded to the nearest one hundred thousand dollars ($100,000) or in certain cases, the nearest dollar, in accordance with the Australian Securities and Investment Commission Corporations Instrument 2016/191.

The accounting policies adopted are consistent with those of the Group's annual consolidated financial statements for the year ended 31 December 2021 and corresponding 30 June 2021 interim reporting period, except for the required adoption of new and amended accounting standards effective from 1 January 2022. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

(a) New and amended accounting standards adopted by the Group

In the current reporting period, there were no new or amended accounting standards or interpretations issued by the Australian Accounting Standards Board that required the Group to change its accounting policies.

3. Significant changes in the current reporting period

There were no significant changes impacting the financial position and performance of the Group during the half-year to 30 June 2022.

4. Revenue

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

	30 June 2022	30 June 2021
	$M	$M
Revenue from contracts from customers		
Revenue from sale of goods	11,402.1	7,099.3
Non-fuels income	100.5	101.0
	11,502.6	7,200.3
Other revenue	14.5	16.7
Total revenue	**11,517.1**	**7,217.0**

5. Other items of profit or loss

	30 June 2022	30 June 2021
Other income	$M	$M
Temporary Refinery Production Payment	-	40.6
JobKeeper	-	3.1
Total other income	**-**	**43.7**

In the comparative six-month period ended 30 June 2021, the Group received a Temporary Refinery Production Payment (TRPP) grant income of $40.6 million as part of the Australian Government's Fuel Security Package. This program was superseded by the Federal Security Services Package (FSSP), which commenced on 1 July 2021 and will conclude on 30 June 2028 (unless extended at the option of the Group). No FSSP income was recognised for the current six-month period ended 30 June 2022 due to high refining margins experienced in the period. In a cap and collar approach, FSSP income commences and is recognised only when the refining margin makers falls below $10.20 per barrel (bbl) which did not occur during the period. The Group did receive $12.4 million in cash payments relating to the FSSP during the period relating to income recognised in the second half of 2021.

In the comparative six-month period to 30 June 2021, the Company recorded income of $3.1 million from the Australian Government's COVID-19 related "JobKeeper" scheme, which ended on 28 March 2021. No JobKeeper payments were received in the current 2022 half-year period.

The FSSP, TRPP and JobKeeper income are accounted for as government grants and recognised at their fair value upon reasonable assurance that the grant would be received and the Group has complied with all attached conditions.

	30 June 2022	30 June 2021
Depreciation and amortisation expense	$M	$M
Depreciation of property, plant and equipment	(70.6)	(69.7)
Depreciation charge of right-of-use assets	(112.6)	(111.1)
Amortisation of intangible assets	(15.9)	(16.9)
Total depreciation and amortisation expense	**(199.1)**	**(197.7)**

	30 June 2022	30 June 2021
Finance costs	$M	$M
Interest on borrowings, trade finance and commitment fees	(10.7)	(4.9)
Interest on lease liabilities	(85.4)	(87.4)
Unwinding of discount on provisions	(1.7)	(1.5)
Unwinding of discount on long-term payables	(1.2)	(1.2)
Total finance costs	**(99.0)**	**(95.0)**

6. 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:

1. Retail, Fuels and Marketing

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

2. 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. All refinery operating activities are included in this segment, including an allocation of supply and corporate overheads.

3. Corporate

The Corporate segment consists of group level costs which cannot meaningfully be allocated to the segments. All other corporate and overhead costs are allocated based on an appropriate cost driver.

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. Revenues and costs associated with Supply and Distribution are allocated to the operating segments based on appropriate cost drivers, most commonly, sales volumes.

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.

Geographical information

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

6. Segment information (continued)

Information about reportable segments

30 June 2022	**Retail, Fuels and Marketing**	**Refining**	**Corporate**	**Total Segments**
	$M	**$M**	**$M**	**$M**
Segment revenue:				
Total segment revenue	11,517.1	4,326.1	-	15,843.2
Inter-segment revenue	-	(4,326.1)	-	(4,326.1)
External segment revenue	**11,517.1**	**-**	**-**	**11,517.1**
Gross Profit	764.3	524.5	-	1,288.8
Net inventory gain	265.4	7.7	-	273.1
Gross Profit	**1,029.7**	**532.2**	**-**	**1,561.9**
Profit before interest, tax, depreciation and amortisation	672.2	375.9	(9.8)	1,038.3
Interest income	-	-	1.1	1.1
Depreciation and amortisation expenses	(161.7)	(36.0)	(1.4)	(199.1)
Finance costs	(95.2)	(2.5)	(1.3)	(99.0)
Segment profit before tax expense	**415.3**	**337.4**	**(11.4)**	**741.3**
Other material items:				
Capital expenditure	35.6	55.3	-	90.9

30 June 2021	**Retail, Fuels and Marketing**	**Refining**	**Corporate**	**Total Segments**
	$M	**$M**	**$M**	**$M**
Segment revenue:				
Total segment revenue	7,217.0	2,208.8	-	9,425.8
Inter-segment revenue	-	(2,208.8)	-	(2,208.8)
External segment revenue	**7,217.0**	**-**	**-**	**7,217.0**
Gross Profit	673.3	115.6	-	788.9
Net inventory loss	95.9	18.0	-	113.9
Gross Profit	**769.2**	**133.6**	**-**	**902.8**
Profit/(loss) before interest, tax, depreciation and amortisation	463.3	46.8	(29.2)	480.9
Interest income	-	-	1.0	1.0
Depreciation and amortisation expenses	(160.2)	(36.0)	(1.5)	(197.7)
Finance costs	(88.9)	(4.0)	(2.1)	(95.0)
Segment profit/(loss) before tax expense	**214.2**	**6.8**	**(31.8)**	**189.2**
Other material items:				
Capital expenditure	20.8	25.5	2.0	48.3

7. Dividends determined and paid

	30 June 2022	30 June 2021
Dividends determined and paid during the half-year	**$M**	**$M**
Fully franked dividend relating to the prior period	49.6	-

The Company paid a dividend of $49.6 million – 3.2 cents per share to shareholders on 24 March 2022 (2021: nil). This fully franked dividend was in relation to the six month period ended 31 December 2021. Included in the $49.6 million of dividends determined and paid during the period was $0.1 million in dividends relating the treasury shares on hand in the previous year. The net impact of the total dividend on retained earnings amounted to $49.5 million.

The Board has determined an interim 2022 dividend of 13.7 cents per fully paid ordinary share (2021 interim dividend: 4.1 cents). The aggregate amount of the proposed dividend expected to be paid on 22 September 2022 out of retained earnings at 30 June 2022, but not recognised as a liability at half-year end, is $212.6 million (2021 interim dividend: $65.9 million).

8. Inventories

	30 June 2022	31 December 2021
	$M	**$M**
Crude for processing	398.9	235.6
Hydrocarbon finished products	1,800.5	910.8
Polymer products	59.3	-
	2,258.7	**1,146.4**
Stores and spare parts	38.8	33.1
Total inventories	**2,297.5**	**1,179.5**

The increase in the inventory balance of $1,118.0 million from 31 December 2021 to 30 June 2022 was driven primarily by increasing crude and refined product prices over the period.

9. Income tax and deferred tax

Viva Energy is subject to income tax expense on the basis of historical cost earnings. Income tax expense (HC) of $220.4 million for the period represents an effective tax rate of 29.7%, due primarily to the non-assessable bargain purchase gain of $7.8 million arising from the 31 May 2022 LyondellBasell Australia acquisition, partially offset by the non-deductibility of amortisation on the $137.0 million capital payment relating to the extension of the Alliance agreement with Coles Express through to 2029. The $43.2 million increase in net deferred tax assets to $349.1 million arises from the typical movements in deferred tax due to origination or reversal of temporary differences between taxable income and profit during the period, along with movements posted directly to equity or other comprehensive income, with the primary driver of the increase in the period being the higher relative tax base of trading stock for tax purposes given increased oil prices.

10. Financial assets and liabilities

This table provides a summary of the Group's financial instruments, and how they are classified and measured. The Group holds the following financial instruments at the end of the reporting period:

	Notes	30 June 2022	31 December 2021
Financial assets		**$M**	**$M**
Financial assets held at amortised cost			
Trade and other receivables		2,147.4	1,293.1
Long-term receivables		23.1	40.6
Cash and cash equivalents		324.1	96.7
Financial assets at fair value through profit and loss			
Derivative assets	11	23.7	6.8
Financial assets at fair value through other comprehensive income			
Equity securities	11	7.8	9.2
		2,526.1	**1,446.4**
Financial liabilities			
Financial liabilities held at amortised cost			
Trade and other payables		3,771.2	2,145.7
Long-term borrowings		-	191.9
Lease liabilities		2,467.9	2,480.5
Long term payables		139.7	96.8
Financial liabilities at fair value through profit and loss			
Derivative liabilities	11	15.5	8.6
		6,394.3	**4,923.5**

11. Fair value measurement of financial instruments

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 measure.

(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
30 June 2022			
Derivative assets	-	23.7	-
Derivative liabilities	-	(15.5)	-
Equity securities	7.8	-	-
Total at 30 June 2022	**7.8**	**8.2**	**-**
31 December 2021			
Derivative assets	-	6.8	-
Derivative liabilities	-	(8.6)	-
Equity securities	9.2	-	-
Total at 31 December 2021	**9.2**	**(1.8)**	**-**

There were no transfers between levels during the six months to 30 June 2022. There were also no changes made to any of the valuation techniques applied.

(b) Recognised fair value measurements

Equity securities

The Group holds public securities in Waga Energy SA and Hyzon Motors Inc. The fair value of these publicly traded securities is based on quoted market prices at the end of the reporting period.

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 30 June 2022, the marked-to-market value of derivative asset positions is net of a credit valuation adjustment attributable to derivative counterparty default risk.

12. Contributed and other equity

(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 Company in proportion to the number of and amounts paid on the shares held.

	30 June 2022	**31 December 2021**
	$M	**$M**
Issued and paid up capital	4,252.5	4,252.5
Cost per share	$2.741	$2.741

Movements in ordinary share capital	**Shares**	**$M**
At 1 January 2021	1,607,638,647	4,373.9
Buy back of shares, net of tax	(7,924,716)	(21.7)
Capital return to shareholders	-	(99.7)
Share consolidation	(48,223,469)	-
At 31 December 2021	**1,551,490,462**	**4,252.5**
At 1 January 2022	1,551,490,462	4,252.5
At 30 June 2022	**1,551,490,462**	**4,252.5**

Share buy-back

In the prior year the Company purchased, and subsequently cancelled, 7,924,716 ordinary shares on market as part of the Company's buy-back program. The cancellation of the shares was treated as a reduction in share capital ($21.7 million), with the difference between the par value of the purchased shares and the buy-back price being recorded against the Company's Capital redemption reserve ($3.7 million). The total value of the share buy-back during the period was $18.0 million.

There have been no share buy-back activities undertaken in the current 2022 half-year period.

Share consolidation

In the prior year, the Group's capital management initiatives included a capital return to shareholders of $99.7 million. A share consolidation was then undertaken commensurate with the overall return to shareholders, reducing the number of ordinary shares by 48,223,469.

There have been no share consolidation activities in the current 2022 half-year period.

(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 2021	4,907,660	6.8
Acquisition of treasury shares (average price: $2.20 per share)	4,269,221	9.4
Transfer of shares to employees	(2,510,384)	(3.2)
Capital return to shareholders	-	(0.3)
Share consolidation	(154,805)	-
At 31 December 2021	**6,511,692**	**12.7**
At 1 January 2022	**6,511,692**	**12.7**
Acquisition of treasury shares (average price: $2.48 per share)	1,113,855	2.8
Transfer of shares to employees	(2,818,041)	(4.0)
At 30 June 2022	**4,807,506**	**11.5**

13. Business combinations

On 31 May 2022, the Group acquired LyondellBasell Australia (LBA), a Geelong-based national polymer manufacturer and distributor which has its production facility located inside the footprint of the Group's Geelong Refinery, for an initial purchase price of $25.4 million, with an agreed earnout mechanism across a 6-year period, not to exceed a further $25.0 million. At completion, LBA was renamed Viva Energy Polymers (VEP).

VEP is the country's only polypropylene manufacturer, supplying the Australian and New Zealand market with raw material for the production of diverse plastic products ranging from food packaging and medical equipment to polymer bank notes, and serving more than 60 customers across Australia, New Zealand, Asia, India, the Middle East and North America.

Details of the purchase consideration, the net assets acquired and gain on bargain purchase recognised are as follows:

Purchase consideration:

	$M
Cash consideration	25.4
Fair value of earnout component of purchase consideration	19.6
Settlement of pre-existing relationships	22.6
Total purchase consideration	**67.6**

The provisionally determined fair values of the assets and liabilities of VEP as at the date of acquisition are as follows;

	Provisional recognised values
	$M
Cash and cash equivalents	7.4
Trade and other receivables	29.7
Inventories	57.7
Trade and other payables	(8.6)
Current provisions	(7.1)
Deferred tax liability	(3.7)
Net identifiable assets acquired	**75.4**
Gain on bargain purchase	7.8
Total purchase consideration	**67.6**

The total purchase consideration includes a cash consideration component and forgiveness of pre-existing relationship settled at the completion date, as well as a contingent consideration.

Contingent consideration

In the event that performance targets are achieved by the subsidiary over a six year period beginning at the completion date, additional consideration of up to $25.0 million may be payable in cash throughout the earnout period. The potential undiscounted amount payable under the agreement is between $0 and $25.0 million. The fair value of the contingent consideration of $19.6 million has been estimated by calculating the present value of the future expected cash flow.

13. Business combinations (continued)

Recognised values

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

The $7.8 million gain on bargain purchase represents the shortfall of the consideration transferred and contingent consideration estimated over the fair value of the net identifiable assets acquired. The gain on bargain purchase has been recognised in the period as other income within the consolidated statement of profit or loss.

The gain on bargain purchase 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 gain on bargain purchase and respective asset and liability balances shall be retrospectively adjusted.

Acquired receivables

The fair value of acquired trade receivables is $29.7 million. The gross contractual amount for trade receivables due is $29.8 million, with a loss allowance of ($0.1) million.

Revenue and profit contribution

VEP contributed revenue of $19.2 million and a profit after tax of $0.7 million to the Group from the Transaction Date to 30 June 2022.

If the acquisition had occurred on 1 January 2022, pro-forma revenue and results for the half-year ended 30 June 2022 would have been revenue of approximately $123.3 million and a profit after tax of approximately $1.6 million respectively. These amounts have been calculated using VEP's results and adjusting them for differences in the accounting policies between the Group and the acquired subsidiaries.

Purchase consideration – cash outflow

	$M
Outflow of cash to acquire subsidiary, net of cash acquired	
Cash consideration	25.4
Adjustment for cash acquired	(7.4)
Net outflow of cash – investing activities	**18.0**

Acquisition related costs

Acquisition-related costs of $0.4 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.

14. Events occurring after the reporting period

There are no matter or circumstance occurring subsequent to the end of the period that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

Directors' declaration

In the Directors' opinion:

(a) the consolidated half-year financial statements and notes set out on pages 17 to 31 have been prepared in accordance with the *Corporations Act 2001* (Cth), including:

  (i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* (Cth) and other mandatory professional reporting requirements; and

  (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2022 and of its performance for the half-year ended on that date; and

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

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

Robert Hill	Scott Wyatt
Chairman	CEO and Managing Director

25 August 2022

Independent auditor's review report to the members of Viva Energy Group Limited

Report on the half-year financial report

Conclusion

We have reviewed the half-year financial report of Viva Energy Group Limited (the Company) and the entities it controlled from time to time during the half-year (together the Group), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of comprehensive income, consolidated statement of profit or loss, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, significant accounting policies and explanatory notes to the consolidated financial statements and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Viva Energy Group Limited does not comply with the *Corporations Act 2001* including:

1. giving a true and fair view of the Group's financial position as at 30 June 2022 and of its performance for the half-year ended on that date

2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report.

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

Responsibilities of the directors for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

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Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2022 and of its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

PricewaterhouseCoopers

Trevor Johnston

Trevor Johnston
Partner

Melbourne
25 August 2022