

**Viva Energy Holding Pty Limited
and controlled entities**

**Financial statements for the year ended
31 December 2017**

ABN: 59 167 883 525

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Consolidated statement of profit or loss

For the year ended 31 December 2017

		2017	2016	2015
	Notes	\$M	\$M	\$M
Revenue	1	15,660.5	14,130.9	16,494.6
Replacement cost of goods sold		(9,524.8)	(8,214.7)	(10,190.4)
Net inventory gain/(loss)	4	(8.7)	(61.2)	(52.6)
Sales duties and taxes		(4,123.6)	(4,177.1)	(4,273.4)
Import freight expenses		(256.4)	(258.7)	(412.6)
Historical cost of goods sold		(13,913.5)	(12,711.7)	(14,929.0)
Gross profit		1,747.0	1,419.2	1,565.6
Net gain on disposal of property, plant and equipment to Viva Energy REIT	30	-	1,379.3	-
Net gain/(loss) on other disposal of property, plant and equipment		15.7	10.3	(17.7)
Other income/(loss)		15.7	1,389.6	(17.7)
Transportation expenses		(311.1)	(323.6)	(328.2)
Salaries and wages		(242.7)	(220.3)	(255.4)
General and administration expenses		(192.1)	(194.6)	(183.2)
Maintenance expenses		(102.4)	(103.7)	(119.1)
Operating leases	2	(269.0)	(165.8)	(97.0)
Sales and marketing expenses		(106.1)	(97.4)	(97.0)
		539.3	1,703.4	468.0
Interest income		3.6	8.5	9.2
Share of profit of associates	26	65.4	-	-
Realised/unrealised (loss)/gain on derivatives	2	(41.1)	17.0	(27.3)
Net foreign exchanges gain/(loss)	2	17.7	(10.0)	(32.9)
Movement in financial assets		4.8	129.5	-
Depreciation and amortisation expenses		(107.2)	(78.2)	(76.9)
Finance costs	2	(31.3)	(70.7)	(100.2)
Profit before income tax expense		451.2	1,699.5	239.9
Income tax expense	22	(161.5)	(480.4)	(80.1)
Profit after tax		289.7	1,219.1	159.8

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 2017

		2017	2016	2015
	Notes	\$M	\$M	\$M
Profit for the year		289.7	1,219.1	159.8
Other comprehensive income				
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent years (net of tax)</i>				
Effective portion of changes in fair value of cash flow hedges - Unrealised (losses)/gains on cash flow hedges recognised by Viva Energy REIT	26	1.6	-	-
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent years (net of tax)</i>				
Remeasurement of retirement benefit obligations	29	(0.1)	1.0	11.8
Net other comprehensive income/(loss)		1.5	1.0	11.8
Total comprehensive income for the year (net of tax)		291.2	1,220.1	171.6

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 2017

	Notes	2017 \$M	2016 \$M	2015 \$M
ASSETS				
Current assets				
Cash and cash equivalents	5	164.7	426.3	188.0
Trade and other receivables	7	1,165.0	1,036.5	1,079.7
Inventories	4	965.2	650.1	672.2
Assets classified as held for sale	11	9.7	36.6	-
Derivative assets	16	-	8.0	0.4
Prepayments	8	56.1	51.8	38.7
Other current assets		6.1	7.4	10.5
Total current assets		2,366.8	2,216.7	1,989.5
Non-current assets				
Long-term receivables	12	11.7	57.5	124.3
Property, plant and equipment	11	1,398.6	1,188.5	1,737.1
Deferred tax assets	23	-	-	72.9
Intangible assets, including Goodwill	13	384.7	8.9	11.4
Financial assets	16	-	177.7	48.2
Post-employment benefits	29	15.3	16.4	16.1
Investments accounted for using the equity method	26	628.6	593.7	60.0
Other non-current assets		0.8	4.2	4.5
Total non-current assets		2,439.7	2,046.9	2,074.5
Total assets		4,806.5	4,263.6	4,064.0
LIABILITIES AND EQUITY				
Current liabilities				
Trade and other payables	9	1,586.0	1,359.5	1,245.0
Provisions	14	152.1	119.3	138.2
Short-term borrowings	10	246.4	6.9	564.1
Derivative liabilities	16	9.3	0.9	17.2
Current tax liabilities		139.0	172.5	-
Total current liabilities		2,132.8	1,659.1	1,964.5
Non-current liabilities				
Provisions	14	169.3	137.5	131.3
Long-term borrowings	17	43.5	40.7	830.1
Net deferred tax liabilities	23	226.1	231.1	-
Total non-current liabilities		438.9	409.3	961.4
Total liabilities		2,571.7	2,068.4	2,925.9
Net assets		2,234.8	2,195.2	1,138.1
Equity				
Contributed equity	19	645.2	645.2	808.2
Reserves		11.5	8.8	7.8
Retained earnings		1,578.1	1,541.2	322.1
Total equity		2,234.8	2,195.2	1,138.1

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 2017

	Notes	Contributed equity \$M	Reserves \$M	Retained earnings \$M	Total equity \$M
Balance at 1 January 2015		808.2	(4.0)	162.3	966.5
Profit for the year		-	-	159.8	159.8
Remeasurement of retirement benefit obligations	29	-	11.8	-	11.8
Total comprehensive income for the year		-	11.8	159.8	171.6
Balance at 31 December 2015		808.2	7.8	322.1	1,138.1
Balance at 1 January 2016		808.2	7.8	322.1	1,138.1
Profit for the year		-	-	1,219.1	1,219.1
Remeasurement of retirement benefit obligations	29	-	1.0	-	1.0
Total comprehensive income for the year		-	1.0	1,219.1	1,220.1
Capital return	19	(163.0)	-	-	(163.0)
Balance at 31 December 2016		645.2	8.8	1,541.2	2,195.2
Balance at 1 January 2017		645.2	8.8	1,541.2	2,195.2
Profit for the year		-	-	289.7	289.7
Unrealised (losses)/gains on cash flow hedges recognised by Viva Energy REIT		-	1.6	-	1.6
Remeasurement of retirement benefit obligations	29	-	(0.1)	-	(0.1)
Total comprehensive income for the year		-	1.5	289.7	291.2
Dividends paid		-	-	(252.8)	(252.8)
Share based payment reserve		-	1.2	-	1.2
Balance at 31 December 2017		645.2	11.5	1,587.1	2,234.8

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 2017

		2017	2016	2015
	Notes	\$M	\$M	\$M
Operating activities				
Receipt from trade and other debtors		17,789.3	16,263.7	19,272.4
Payments to suppliers and employees		(17,408.3)	(15,775.6)	(18,488.2)
Interest received		2.4	3.7	3.2
Interest paid on loans		(10.9)	(40.5)	(79.4)
Interest paid on finance lease		(7.5)	(7.3)	(7.1)
Income tax paid		(202.9)	(0.4)	(0.3)
Net cash flows from operating activities	6	162.1	443.6	700.6
Investing activities				
Purchases of property, plant and equipment		(231.1)	(301.4)	(240.9)
Net cash consideration paid for the acquisition of Shell Aviation	25	(259.0)	-	-
Net proceeds from Viva Energy REIT		-	1,569.2	-
Proceeds from sale of other property, plant and equipment		26.7	22.6	3.2
Loan advanced to associate company		-	-	(5.0)
Loan repayments received from third parties		19.7	27.3	21.9
Dividends received from associates	30	32.8	1.8	-
Net cash flows (used in)/from investing activities		(410.9)	1,319.5	(220.8)
Financing activities				
Drawdown of borrowings		2,315.0	645.0	1,180.0
Repayments of borrowings		(2,075.0)	(2,006.8)	(1,535.0)
Dividend paid	30	(252.8)	-	-
Capital return	19	-	(163.0)	-
Net cash flows used in financing activities		(12.8)	(1,524.8)	(355.0)
Net (decrease)/increase in cash and cash equivalents		(261.6)	238.3	124.8
Cash and cash equivalents at the beginning of the year		426.3	188.0	63.2
Cash and cash equivalents at the end of the year	5	164.7	426.3	188.0

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

Notes to the consolidated financial statements

Reporting entity

The consolidated financial statements of Viva Energy Holding Pty Limited ('Company') and the entities it controlled (collectively, 'Group') for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the Directors on 28 May 2018. The Company is a for-profit company for the purpose of preparing the financial statements.

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

Basis of preparation

Statement of compliance

The financial statements are a general purpose financial report, which have been prepared in accordance with the requirements of Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

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

The financial statements are 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 7 *Trade and other receivables* and Note 13 *Goodwill and other intangible assets*;
- Note 11 *Property, plant and equipment* describes the policy and estimation of minimum operating stock;
- Note 14 *Provisions* provides key sources of estimation, uncertainty and assumptions used in regards to estimation of provisions;
- Note 16 *Financial assets and liabilities* and Note 20 *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 22 *Income tax* and Note 23 *Deferred tax*.

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. In the current period there have been no material reclassifications.

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 standards in line with the RDRs:

- AASB 2016-1 *Amendments to Australia Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses* is applicable for annual reporting periods beginning on or after 1 January 2017
- AASB 2016-2 *Amendments to Australia Accounting Standards – Disclosure Initiative: Amendments to AASB 107* is applicable for annual reporting periods beginning on or after 1 January 2017
- AASB 2017-2 *Amendments to Australia Accounting Standards – Further Annual Improvements 2014-2016 Cycle* is applicable for annual reporting periods beginning on or after 1 January 2017

The adoption of these standards and interpretations has no material financial impact on the consolidated financial statements of the Group.

Standards issued but not yet effective as at 31 December 2017

Australian Accounting Standards and interpretations issued, but not yet effective, as at 31 December 2017, which are likely to have a material impact are listed below and detailed in the relevant notes.

- AASB 9 *Financial Instruments* (effective 1 January 2018) discussed in Note 16 *Financial assets and liabilities*;
- AASB 15 *Revenue from Contracts with Customers* (effective 1 January 2018) discussed in Note 1 *Revenue*; and
- AASB 16 *Leases* (effective 1 January 2019) discussed in Note 15 *Commitments and contingencies*.

These standards (and interpretations) are applicable from periods beginning 1 January 2018 or beyond as noted by the effective date, and the Group intends to adopt these standards when they become effective. All other standards issued but not yet effective are not expected to have a material effect of the consolidated financial statements.

Results for the Year

1. Revenue

	2017	2016	2015
	\$M	\$M	\$M
Revenue from sale of goods	15,489.0	13,967.4	16,350.9
Non-fuel income	141.7	133.6	121.7
Other revenue	29.8	29.9	22.0
Total revenue	15,660.5	14,130.9	16,494.6

Revenue from sale of goods is recognised when the goods are passed to the customer pursuant to a sales order and the associated risks have passed to the carrier or the customer. Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and GST collected on behalf of third parties. Total revenue includes the recovery of excise paid.

No one customer accounts for more than 10% of revenue other than income obtained from Eureka Operations Pty Ltd (Coles Express) which operates 669 Viva Energy controlled service stations in alliance with the Group.

Standards issued but not yet effective as at 31 December 2017 impacting Revenue

AASB 15 Revenue from Contracts with Customers (effective 1 January 2018)

AASB 15 *Revenue from Contracts with Customers* specifies the accounting treatment for revenue arising from contracts with customers (except for contracts within the scope of other accounting standards such as leases or financial instruments). The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services when control of the goods or services passes to the customer. The revenue to be recognised should reflect the consideration to which the entity expects to be entitled in exchange for those goods or services. In addition, the standard requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The new revenue standard will supersede all current revenue recognition requirements under Australian Accounting Standards. Either a full retrospective application or a modified retrospective application is required for annual periods on or after 1 January 2018 and the Group plans to adopt the new standard on the required effective date.

As part of the work undertaken to date, the Group has reviewed a broad sample of sales contracts within the business which was focused primarily on the wholesale of hydrocarbon and related specialty products as these together account for a large majority of the Group's sales revenue, with a limited review of contracts at other product groups. The reviewed contracts included predetermined contract prices and clear indication of the Group's performance obligations in relation to the transaction and when the goods pass from the Group to the customer. The assessment was made on the contractual terms of the Group's various revenue streams under the five-step model, and highlighting anticipated differences in the recognition and disclosure of revenue between the current standard, AASB 118 *Revenue*, and AASB 15.

The Group currently shows revenue and cost of goods sales on a gross basis for certain buy-sell contracts it holds with other industry participants for the purchase and sale of refined products. Based on work to date it is considered that these contracts will not be within the scope of AASB 15 and revenue will therefore not be shown in respect of these contracts under the new standard. There will be an equivalent adjustment to remove the purchase side from cost of goods sold, and thus there is no impact on Gross Profit or on Profit after Tax. The actual adjustment to revenue will be dependent on the actual transactions and market prices to occur. The adjustment for the 3 months to 31 March 2018 reduced revenue and cost of goods sold by \$393m as compared to the revenue which would have been recorded under the previous revenue standard, AASB 118. If this was extrapolated for a 12 month period, the adjustment would be \$1,572M (this amount is only illustrative and will change depending on actual activity and prices). There will be no impact on Gross Profit or Net Profit after Tax.

To date, no other material measurement differences have been identified. Work in 2018 will include further contract review procedures and the development and implementation of any reporting processes required to meet the requirements of AASB 15.

2. Expenses

	2017	2016	2015
	\$M	\$M	\$M
Operating leases			
Leases from Viva Energy REIT	125.6	49.2	-
Other operating leases	114.5	104.5	97.0
Non-cash straight lining on leases	28.9	12.1	-
Total operating leases	269.0	165.8	97.0

	2017	2016	2015
	\$M	\$M	\$M
Realised/unrealised (loss)/gain on derivatives			
Derivative contracts	(41.1)	17.0	(27.3)

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 principally foreign exchange currency contracts (forwards, swaps) and commodity derivative instruments for the purpose of managing the market risks arising from the Groups 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 2017 and including any open positions at balance date, losses of \$41.1 million were incurred (2016: \$17.0 million gain, 2015: \$27.3 million loss). The losses in the current period were the result of various commodity price movements and a strengthening AUD through the year.

	2017	2016	2015
	\$M	\$M	\$M
Foreign exchange gain/(loss)			
Foreign exchange gains	141.3	155.0	169.8
Foreign exchange losses	(123.6)	(165.0)	(202.7)
Net foreign exchange gain/(loss)	17.7	(10.0)	(32.9)

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.

	2017	2016	2015
	\$M	\$M	\$M
Finance costs			
Interest on debts and borrowings	17.4	56.2	83.1
Interest on finance lease	7.9	7.8	7.2
Unwinding of discount on provisions	6.0	6.7	9.9
Total finance costs	31.3	70.7	100.2

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, lubricants and grease.

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. Segment classification adjustments have been made to results where applicable in order to reflect the Group's most up to date segment reporting structures. Transfer prices between operating segments are on an arm's length basis similar to transactions with third parties. The Group's country of domicile is Australia, with all operations located and revenues generated in Australia. All of the Groups non-financial non-current assets are located in Australia.

Information about reportable segments

31 December 2017	Retail, Fuels and Marketing	Refining	Supply, Corporate and Overheads	Total Segments
	\$M	\$M	\$M	\$M
Segment revenue:				
Total segment revenue	15,214.9	3,707.7	14,549.3	33,471.9
Inter-segment revenue	-	(3,707.7)	(14,103.7)	(17,811.4)
External segment revenue	15,214.9	-	445.6	15,660.5
Gross Profit	1,232.4	483.3	40.0	1,755.7
Net inventory gain / (loss)			(8.7)	(8.7)
Gross Profit	1,232.4	483.3	31.3	1,747.0
Profit before interest, tax, depreciation and amortisation	885.5	276.1	(575.5)	586.1
Interest income	-	-	3.6	3.6
Depreciation and amortisation expenses	(34.9)	(46.2)	(26.2)	(107.2)
Finance costs	(15.5)	-	(15.7)	(31.3)
Segment profit before tax expense	835.1	229.9	(613.8)	451.2
Other material items:				
Share of profit of associates	-	-	65.4	65.4
Capital expenditure	73.5	52.8	106.0	232.3

3. Segment information (continued)

31 December 2016	Retail, Fuels and Marketing	Refining	Supply, Corporate and Overheads	Total Segments
	\$M	\$M	\$M	\$M
Segment revenue:				
Total segment revenue	13,727.5	2,980.5	13,165.1	29,873.1
Inter-segment revenue	-	(2,980.5)	(12,761.7)	(15,742.2)
External segment revenue	13,727.5	-	403.4	14,130.9
Gross Profit	1,078.5	359.8	42.1	1,480.4
Net inventory gain / (loss)	-	-	(61.2)	(61.2)
Gross Profit	1,078.5	359.8	(19.1)	1,419.2
Profit before interest, tax, depreciation and amortisation	784.9	143.6	911.4	1,839.9
Interest income	-	-	8.5	8.5
Depreciation and amortisation expenses	(45.8)	(16.2)	(16.2)	(78.2)
Finance costs	(12.4)	-	(58.3)	(70.7)
Segment profit before tax	726.7	127.4	845.4	1,699.5
Other material items:				
Net gain on disposal of property, plant and equipment to Viva Energy REIT	-	-	1,379.3	1,379.3
Capital expenditure	51.8	164.5	87.5	303.8
31 December 2015	Retail, Fuels and Marketing	Refining	Supply, Corporate and Overheads	Total Segments
	\$M	\$M	\$M	\$M
Segment revenue:				
Total segment revenue	16,233.2	3,537.3	15,548.1	35,318.6
Inter-segment revenue	-	(3,537.3)	(15,286.7)	(18,824.0)
External segment revenue	16,233.2	-	261.4	16,494.6
Gross Profit	1,032.8	535.4	50.0	1,618.2
Net inventory gain/(loss)	-	-	(52.6)	(52.6)
Gross Profit	1,032.8	535.4	(2.6)	1,565.6
Profit before interest, tax, depreciation and amortisation	732.4	325.9	(650.5)	407.8
Interest income	-	-	9.2	9.2
Depreciation and amortisation expenses	(48.0)	(5.3)	(23.6)	(76.9)
Finance costs	(9.4)	-	(90.8)	(100.2)
Segment profit before tax	675.0	320.6	(755.7)	239.9
Other material items:				
Capital expenditure	87.2	90.1	61.8	239.1

Retail, Fuels and Marketing

The Retail, Fuels and Marketing segment includes Retail Gross Profit of \$738.0M for 2017 (\$674.0M for 2016 and \$629.7M for 2015) and Commercial Gross Profit of \$494.4M for 2017 (\$404.5M for 2016 and \$403.2M for 2015).

This segment also includes Profit before interest, tax, depreciation and amortisation for Retail of \$607.2M for 2017 (\$541.9M for 2016 and \$496.1M for 2015) and Profit before interest, tax, depreciation and amortisation for Commercial of \$278.3M for 2017 (\$242.9M for 2016 and \$236.2M for 2015).

Working capital and cash flow

4. Inventories

	2017	2016	2015
	\$M	\$M	\$M
Crude for processing	317.5	247.9	138.7
Hydrocarbon finished products	630.0	385.6	518.3
	947.5	633.5	657.0
Stores and spare parts	17.7	16.6	15.2
Total inventories	965.2	650.1	672.2

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, depreciation and amortisation.

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. Impairment of inventories during the year amounted to nil (2016: nil, 2015: \$17.4 million) and is recorded as part of net inventory gain / (loss) in the consolidated statement of profit or loss.

During the year, a net inventory loss of \$8.7 million (2016: \$61.2 million loss, 2015: \$52.6 million loss) was recorded in cost of goods sold which accounts for the net impact of movement in oil prices on inventory sold. 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 first-in first-out (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.

5. Cash and cash equivalents

	2017	2016	2015
	\$M	\$M	\$M
Cash at bank	164.7	426.3	188.0

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 (2016: nil, 2015: nil).

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

	2017	2016	2015
	\$M	\$M	\$M
Profit	289.7	1,219.1	159.8
Adjustments for:			
Net gain on disposal to Viva Energy REIT	-	(1,379.3)	-
Net (gain)/loss on other disposal of property, plant and equipment	(15.7)	(10.3)	17.7
Depreciation and amortisation	107.2	78.2	76.9
Non-cash interest and amortisation on long term loans	0.6	9.9	2.1
Non-cash movement in financial assets	(4.8)	(129.5)	-
Non-cash movement in other receivables	-	22.5	-
Non-cash share based payment expense	0.2	-	-
Amortisation of finance lease	0.4	0.5	0.1
Unrealised loss/(gain) on derivatives	16.4	(23.9)	98.3
Unrealised foreign exchange movements	(22.1)	6.6	(36.6)
Share of associate's profit not received as dividends or distribution	(65.4)	-	(2.5)
Net cash flows from operating activities before movements in assets/liabilities	306.5	(206.2)	315.8
Movements in assets and liabilities:			
<i>Working capital balances</i>			
(Increase)/decrease in receivables*	(155.3)	64.9	167.7
Increase in other receivables arising from land sales	53.2	-	-
(Increase)/decrease in inventories*	(297.5)	22.1	103.6
Increase in payables*	243.4	108.1	40.6
	(156.2)	195.1	311.9
<i>Other</i>			
Decrease/(increase) in other assets*	1.0	(9.8)	(11.3)
(Increase)/decrease in deferred tax assets	(8.4)	303.6	80.2
Decrease in post-employment benefits	1.0	1.1	1.5
(Decrease)/increase in tax liability	(33.5)	172.5	-
Increase/(decrease) in provisions*	51.7	(12.7)	2.5
Net cash flows from operating activities	162.1	443.6	700.6

* Movements in the assets and liabilities for the year ended 31 December 2017 have been adjusted for the assets and liabilities transferred from Shell Aviation Australia Pty Ltd ('Shell Aviation') which was acquired on 31 May 2017, as well as elimination of intercompany balances due to the acquisition. Refer to Note 25 Business combinations for further details.

7. Trade and other receivables

	2017	2016	2015
	\$M	\$M	\$M
Trade receivables			
Trade receivables	955.6	884.8	946.6
Provision for impairment of receivables	(5.6)	(6.0)	(3.3)
Total trade receivables	950.0	878.8	943.3
Other receivables			
Receivables from related parties	69.8	62.2	35.2
Consideration receivable	49.4	34.6	53.2
Other debtors	95.8	60.9	48.0
Total other receivables	215.0	157.7	136.4
Total receivables	1,165.0	1,036.5	1,079.7

7. Trade and other receivables (continued)

Trade receivables are non-interest-bearing and are generally on terms of 15 to 45 days. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Due to the short term maturity, the carrying amount approximates the fair value.

Trade receivables are often insured for events of non-payment, through third party insurance. The maximum exposure to credit risk for the components in the statement of financial position as at 31 December 2017, 2016 and 2015 was reflected in the carrying amounts.

Other debtors generally arise from transactions outside the usual operating activities of the Group.

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.

Consideration receivable - significant estimate

Consideration receivable relates primarily to amounts relating to the recovery of certain costs from Shell as outlined in the purchase agreement. These receivables are recorded at their fair value based on estimates of future cost recoveries. Future cost recoveries are based on management's best estimate of costs that are likely to be incurred in the future in relation to recoverable activities.

Ageing of receivables

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is recognised in the consolidated statement of profit or loss as impairment. The ageing analysis of trade receivables was as follows:

	Total \$M	Not past due \$M	Past due				
			<30 days \$M	30-60 days \$M	61-90 days \$M	91-120 days \$M	>120 days \$M
2017	950.0	913.9	32.5	1.3	0.1	0.1	2.1
2016	878.8	867.0	2.4	1.9	2.6	-	4.9
2015	943.3	925.3	11.3	0.6	-	0.4	5.7

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

	2017 \$M	2016 \$M	2015 \$M
At 1 January	(6.0)	(3.3)	(2.8)
Provision for impairment recognised	(0.5)	(2.7)	(2.1)
Receivables written off as uncollectible	0.9	-	1.6
At 31 December	(5.6)	(6.0)	(3.3)

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

8. Prepayments

	2017 \$M	2016 \$M	2015 \$M
Head leases	48.6	41.4	29.9
Other prepayments	7.5	10.4	8.8
Total prepayments	56.1	51.8	38.7

Other prepayments primarily relate to council rates and prepaid insurance.

9. Trade and other payables

	2017	2016	2015
	\$M	\$M	\$M
Trade payables	585.3	646.1	507.4
Amounts due to related parties	989.0	702.1	737.6
Amounts due to associates	11.7	11.3	-
Total trade and other payables	1,586.0	1,359.5	1,245.0

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.

10. Short-term borrowings

	2017	2016	2015
	\$M	\$M	\$M
Secured			
Short-term bank loans	239.3	-	557.4
Short-term finance lease liability	7.1	6.9	6.7
Total short-term borrowings	246.4	6.9	564.1

Borrowings are initially recognised at fair value, net of transaction costs incurred, and are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the consolidated statement of profit or loss over the period of the borrowings using the effective interest method.

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.

At the end of the reporting period, the Group had access to undrawn secured borrowing base facilities amounting to \$1,155.3 million (2016: \$1,520.2 million, 2015: \$1,219.6 million) that were in place primarily for working capital purposes. The facilities were subject to a floating rate. These bank loan facilities may be drawn down in Australian Dollars or United States Dollars. The amount drawn at 31 December 2017 is \$240.0 million (2016: nil, 2015: \$560.0 million).

On 26 March 2018, this facility was replaced with a US \$700 million syndicated, unsecured revolving credit facility which has an initial 24 month maturity period from the first draw down date being 28 March 2018.

The weighted average interest rate on short-term bank loans in 2017 was 2.81% (2016: 3.47%, 2015: 3.92%).

Long-term assets and liabilities

11. 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 2015	60.7	646.5	210.9	72.4	626.0	1,616.5
Reclassifications	-	18.3	(25.3)	(3.0)	10.0	-
Additions	128.8	22.2	12.9	-	69.2	243.1
Disposals	-	(12.1)	(2.5)	-	(8.6)	(23.2)
Transfers	(65.5)	0.8	13.7	-	51.0	-
As at 31 December 2015	124.0	675.7	209.7	69.4	757.6	1,836.4
As at 1 January 2016	124.0	675.7	209.7	69.4	757.6	1,836.4
Additions	152.2	0.5	6.5	-	146.6	305.8
Disposal to Viva Energy REIT	-	(501.0)	(70.3)	(10.8)	(143.4)	(725.5)
Other disposals	(0.7)	(11.8)	0.8	-	(4.9)	(16.6)
Transfers	(65.9)	3.3	10.9	-	51.7	-
As at 31 December 2016	209.6	166.7	157.6	58.6	807.6	1,400.1
Additions	158.2	5.6	4.4	-	73.4	241.6
Acquisition of Aviation Business	10.4	3.2	28.4	-	71.2	113.2
Disposals*	(3.2)	(59.7)	(1.1)	-	(10.8)	(74.8)
Transfers	(153.0)	7.6	13.8	8.1	123.5	-
As at 31 December 2017	222.0	123.4	203.1	66.7	1,064.9	1,680.1
Accumulated depreciation						
As at 1 January 2015	-	-	(6.6)	(1.0)	(17.3)	(24.9)
Depreciation	-	-	(11.5)	(3.5)	(59.4)	(74.4)
As at 31 December 2015	-	-	(18.1)	(4.5)	(76.7)	(99.3)
As at 1 January 2016	-	-	(18.1)	(4.5)	(76.7)	(99.3)
Depreciation	-	-	(11.6)	(3.2)	(60.9)	(75.7)
As at 31 December 2016	-	-	(29.7)	(7.7)	(137.6)	(175.0)
Depreciation	-	-	(10.0)	(3.2)	(83.6)	(96.8)
As at 31 December 2017	-	-	(39.7)	(10.9)	(221.2)	(271.8)
Net book value						
As at 31 December 2015	124.0	675.7	191.6	64.9	680.9	1,737.1
Net book value as at 31 December 2015	124.0	675.7	191.6	64.9	680.9	1,737.1
As at 31 December 2016	209.6	166.7	127.9	50.9	670.0	1,225.1
Less: Assets held for sale	-	(36.4)	(0.1)	-	(0.1)	(36.6)
Net book value as at 31 December 2016	209.6	130.3	127.8	50.9	669.9	1,188.5
As at 31 December 2017	222.0	123.4	163.4	55.8	843.7	1,408.3
Less: Assets held for sale	-	(8.1)	(0.3)	-	(1.3)	(9.7)
Net book value as at 31 December 2017	222.0	115.3	163.1	55.8	842.4	1,398.6

*Disposals for the year included a sales transfer of \$53.2 million to the immediate parent entity

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 5 to 15 years
- supply and refining infrastructure 20 to 30 years
- land Not depreciated.

11. Property, plant and equipment (continued)

Minimum operating stock – significant estimate

Minimum operating stock which is the minimum level of inventories held in the entire supply chain and is necessary to operate supply and refining as a going concern, is treated as part of property, plant and equipment. It is valued at cost and is depreciated over the estimated useful life of the related asset to its estimated residual value.

Assets held for sale

The Group have 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 \$9.7 million (2016: \$36.6 million, 2015: nil) and meet the AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* classification requirements.

12. Long-term receivables

	2017	2016	2015
	\$M	\$M	\$M
Receivables	6.7	26.3	71.6
Consideration receivable	-	26.2	47.7
Loan to related party	5.0	5.0	5.0
Total non-current receivables	11.7	57.5	124.3

13. Goodwill and other intangible assets

	2017			2016			2015		
	Goodwill	Other	Total	Goodwill	Other	Total	Goodwill	Other	Total
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Net book value									
At the beginning of the financial year	-	8.9	8.9	-	11.4	11.4	-	13.9	13.9
Additions	213.3	173.0	386.3	-	-	-	-	-	-
Amortisation for the year	-	(10.5)	(10.5)	-	(2.5)	(2.5)	-	(2.5)	(2.5)
Impairment for the year	-	-	-	-	-	-	-	-	-
At the end of the financial year	213.3	171.4	384.7	-	8.9	8.9	-	11.4	11.4
Cost	213.3	187.9	401.2	-	14.9	14.9	-	14.9	14.9
Accumulated amortisation and impairment	-	(16.5)	(16.5)	-	(6.0)	(6.0)	-	(3.5)	(3.5)
	213.3	171.4	384.7	-	8.9	8.9	-	11.4	11.4

(a) Goodwill

Goodwill arises when the fair value of the consideration paid for a business acquisition exceeds the fair value of the identifiable assets, liabilities and contingent 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.

Goodwill acquired amounting to \$213.3 million in the current year represents other intangible assets that did not meet the criteria for recognition as separately identifiable assets at the date of the Shell Aviation acquisition. The Group acquired Shell Aviation as its operations align with the Group's core operations and provides additional channels and infrastructure to support the sale and growth of the Group's aviation fuel products. The recognised goodwill has been allocated to the Retail, Fuels and Marketing CGU and is tested for impairment annually based on a value-in-use calculation. There were no goodwill impairment losses recognised during the year ended 31 December 2017 (2016: nil, 2015: nil).

13. Goodwill and other intangible assets (continued)

(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. The estimated useful lives in the current and comparative periods are reflected by the following amortisation periods:

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

Intangible assets on hand at the beginning of the period of \$8.9 million pertains to customer contracts and relationships recognised as part of the Shell acquisition in 2014 and is being amortised over the 6-year life of the contracts. Intangible assets acquired in the current period of \$173.0 million represents customer contracts and joint venture rights recognised as part of the Shell Aviation acquisition. Current contracted terms for the customer contracts acquired as part of the Aviation business run for a period of up to two years with minimal history of customer churn and an expectation there will be ongoing renewals. Joint venture rights agreements run from between 2 – 20 years and on the basis that these arrangements have a long history beyond current contract terms, it is expected that agreements will be renewed.

14. Provisions

	Employee benefits	Restructuring provision	Asset retirement obligation	Environmental remediation	Other	Total
	\$M	\$M	\$M	\$M	\$M	\$M
At 1 January 2017	86.7	6.9	94.7	35.0	33.5	256.8
Additions (Write-back)	44.2	6.8	(10.8)	20.6	43.0	103.8
Utilised	(41.1)	(8.9)	(1.3)	(5.9)	(2.1)	(59.3)
Unwinding of discount	2.4	-	3.2	0.1	0.3	6.0
Transfers from Shell Aviation acquisition	6.2	-	6.1	1.4	0.4	14.1
At 31 December 2017	98.4	4.8	91.9	51.2	75.1	321.4
Current	89.8	4.6	16.8	26.4	14.5	152.1
Non-current	8.6	0.2	75.1	24.8	60.6	169.3

	Employee benefits	Restructuring provision	Asset retirement obligation	Environmental remediation	Other	Total
	\$M	\$M	\$M	\$M	\$M	\$M
At 1 January 2016	87.9	14.3	104.0	45.0	18.3	269.5
Additions (Write-back)	16.0	0.6	(7.2)	0.5	15.7	25.6
Utilised	(19.5)	(8.0)	(5.4)	(11.0)	(1.0)	(45.0)
Unwinding of discount	2.3	-	3.3	0.5	0.5	6.7
At 31 December 2016	86.7	6.9	94.7	35.0	33.5	256.8
Current	73.2	6.7	15.7	17.4	6.3	119.3
Non-current	13.5	0.2	79.0	17.6	27.2	137.5

14. Provisions (continued)

	Employee benefits	Restructuring provision	Asset retirement obligation	Environmental remediation	Other	Total
	\$M	\$M	\$M	\$M	\$M	\$M
At 1 January 2015	80.0	13.0	104.7	52.6	16.7	267.0
Additions	29.0	18.3	1.6	0.1	2.7	51.7
Utilised	(24.2)	(17.1)	(6.8)	(9.1)	(1.9)	(59.1)
Unwinding of discount	3.1	0.1	4.5	1.4	0.8	9.9
At 31 December 2015	87.9	14.3	104.0	45.0	18.3	269.5
Current	80.4	11.0	23.8	13.1	9.9	138.2
Non-current	7.5	3.3	80.2	31.9	8.4	131.3

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 sick 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, experience 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 fair value of 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 2017 was \$91.9 million (2016: \$94.7 million, 2015: \$104.0 million). The Group estimates that the costs would be realised upon exit of the sites or disposal of the assets.

(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. Liabilities are determined independently of expected insurance recoveries.

Where environmental impact studies have been completed, the result of this is used to estimate cost at the expected time of exit from the site. In other cases, estimates are based on management experience of remediation at similar sites projected over the estimated remaining occupancy of the site, or the remaining term of the lease.

15. Commitments and contingencies

(a) Capital commitments

At 31 December 2017, the Group had capital expenditure contracted for at the reporting date but not recognised as liabilities related to property, plant and equipment totalling \$81.6 million (2016: \$32.7 million, 2015: \$53.2 million). Included within the total capital commitments is a \$9.2 million (2016: nil) commitment which represents the Group's share of the contract entered into by Viva Energy REIT for the purchase of investment properties totalling \$24.0 million. Refer to Note 26 *Interests in associates and joint operations* for further information.

(b) Lease commitments

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease against the requirements of the accounting standards.

(i) Finance lease - Group as a lessee

A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the consolidated statement of profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Future minimum lease payments under finance lease are as follows:

		2017	
		Minimum payments	Present value of payments
		\$M	\$M
Within one year		7.7	7.1
After one year but not more than five years		32.7	20.6
More than five years		111.3	22.9
Total minimum lease payments		151.7	50.6
Less: Finance charges		(101.1)	-
Present value of minimum lease payments		50.6	50.6
		2016	
		Minimum payments	Present value of payments
		\$M	\$M
Within one year		7.5	6.9
After one year but not more than five years		31.9	20.1
More than five years		119.8	23.1
Total minimum lease payments		159.2	50.1
Less: Finance charges		(109.1)	-
Present value of minimum lease payments		50.1	50.1
		2015	
		Minimum payments	Present value of payments
		\$M	\$M
Within one year		7.3	6.7
After one year but not more than five years		31.1	19.6
More than five years		128.1	23.3
Total minimum lease payments		166.5	49.6
Less: Finance charges		(116.9)	-
Present value of minimum lease payments		49.6	49.6

15. Commitments and contingencies (continued)

(b) Lease commitments (continued)

(ii) Operating lease - Group as a lessee

A lease in which the Group does not transfer substantially all the risks and rewards of ownership of an asset is classified as an operating lease.

Operating lease payments are recognised as an operating expense in the consolidated statement of profit or loss on a straight-line basis over the lease term.

Future minimum lease expense expected to be paid in relation to non-cancellable leases as lessee are as follows:

	2017	2016	2015
	\$M	\$M	\$M
Within one year	282.0	258.0	129.6
After one year but not more than five years	936.7	921.2	367.4
More than five years	1,892.8	1,784.5	227.2
Total	3,111.5	2,963.7	724.2

Within the above commitments, the following are minimum lease payments in relation to non-cancellable operating leases payable to Viva Energy REIT are as follows:

	2017	2016	2015
	\$M	\$M	\$M
Within one year	131.4	127.4	-
After one year but not more than five years	562.7	548.8	-
More than five years	1,542.2	1,567.2	-
Total	2,236.3	2,243.4	-

Standards issued but not yet effective as at 31 December 2017 impacting Leases

AASB 16 Leases (effective 1 January 2019)

AASB 16 Leases represents a significant change to how lessees account for operating leases. Under the new standard, as a lessee the Group will be required to:

- recognise all right of use assets and lease liabilities, with the exception of low value and short-term leases, on the consolidated statement of financial position. The liability is initially measured at the present value of future lease payments for the lease term, which includes any lease extension options if the Group is reasonably certain that it will exercise the option;
- recognise depreciation of right to use assets and interest on lease liabilities in the consolidated statement of profit and loss over the lease term; and
- present separately the total cash paid into a principal portion and interest portion with the consolidated statement of cash flows.

The adoption of AASB 16 will therefore result in higher assets and liabilities in the consolidated statement of financial position and charges to the consolidated statement of profit and loss will be included in depreciation and interest which are excluded from profit before interests, taxes, depreciation and amortization (although included in profit before income tax). Under AASB 16, lessees will have one accounting model for accounting for leases, which is similar to the current finance lease model in AASB 117 Leases.

The Group has commenced work to understand the impact of the new standard, which has included preliminary review procedures to identify key characteristics of existing contractual arrangements. The Group is putting together a work program to be undertaken in 2018 that will support the system, process and reporting requirements needed to be able to meet the requirements of the new standard when it becomes effective. It is expected that the Group will adopt the fully simplified approach which allows the liability to be calculated at transition date based on the present value of future payments at transition date.

Information on the Group's undiscounted operating lease commitments under the current leasing standard is disclosed above in this note.

15. Commitments and contingencies (continued)

(b) *Lease commitments (continued)*

(iii) *Operating lease - Group as a lessor*

The Group leases out various service station sites, office premises, vehicles, shipping vessels and storage facilities under non-cancellable operating leases expiring within two to 16 years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

Future minimum lease income expected to be received in relation to non-cancellable leases as lessor are as follows:

	2017	2016	2015
	\$M	\$M	\$M
Within one year	148.7	139.5	135.6
After one year but not more than five years	490.7	478.0	476.5
More than five years	947.9	935.5	378.6
Total	1,587.3	1,553.0	990.7

AASB 16 Leases (effective 1 January 2019)

The application of AASB 16 Leases will also affect accounting for the Group's leasing arrangements where it acts as sub lessor. Although lessor accounting is not significantly changing under AASB 16 as the Group will now be recognising right of use assets for the head lease arrangement a re-assessment of the sub- lease will need to be made to assess whether this now represents a finance lease of the recognised right of use asset. Where the lease terms are substantially matched it is anticipated that these will represent finance leases and the right of use asset will be derecognized and replaced with a finance lease receivable. For such leases, operating lease rental income will no longer be recorded and will instead be replaced with interest income on the finance lease receivable balance.

(c) *Guarantees*

As at 31 December 2017, guarantees amounting to \$51.5 million (2016: \$14.2 million, 2015: \$17.7 million) have been given in respect of the Group's share of workers compensation, sureties for major contracts and other matters including government works.

Under the terms of Deed of Cross Guarantee entered in accordance with ASIC Instrument 2016/785, each 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 28 *Deed of Cross Guarantee*. No liabilities have been recognised in the consolidated statement of financial position in respect of financial guarantee contracts.

(d) *Contingencies and other disclosures*

The Group is subject to periodic reviews by tax authorities on a range of tax matters during the normal course of business. Where the amount of tax payable or recoverable is uncertain, the Group establishes provisions based on the Group's judgement of the most likely amount of the liability, or recovery. Having regard to the status of discussions with tax authorities at the date of this report, the tax obligations assessed as having probable future economic consequences are regarded as adequately provided for. Any other matters which are currently subject to discussion are either regarded as not probable that there will be a cash outflow to the Group or any potential outflow cannot be measured reliably.

As at 31 December 2017, the Group have other contingent liabilities of \$13.3 million (2016: \$16.1 million, 2015: \$6.2 million). It is management's view that these contingent liabilities are considered not probable.

Capital funding and financial risk management

16. Financial assets and liabilities

Classification

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables.

Measurement

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.

Financial assets

Financial assets relate to contractual rights to receive future cash flows associated with arrangements in place with Shell. Management have determined the fair value, which is classified as Level 3 in the fair value hierarchy, based on discounting estimated future cash flows at a weighted average cost of capital that is appropriate to the risk associated with the underlying cash flow. In the year ended 31 December 2017 the value of financial assets have been reduced to nil due to the acquisition of the Shell Aviation business. Refer to Note 25 *Business combinations*.

	2017	2016	2015
	\$M	\$M	\$M
Financial assets	-	177.7	48.2
Total non-current financial assets	-	177.7	48.2

Derivatives

Derivatives are classified as held for trading and accounted for at fair value through profit or loss:

	2017	2016	2015
	\$M	\$M	\$M
Derivative assets	-	8.0	0.4
Derivative liabilities	9.3	0.9	17.2

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.

Standards issued but not yet effective as at 31 December 2017 impacting Financial Instruments

AASB 9 *Financial Instruments* (effective 1 January 2018)

AASB 9 *Financial Instruments* replaces AASB 139 *Financial Instruments* and is effective for annual periods on or after 1 January 2018. AASB 9 includes a single mandatory approach that brings together all three aspects of the accounting for financial instruments, being classification and measurement, impairment and hedge accounting. The Group plans to adopt the new standard on the required effective date and will not restate comparative information. The Group is currently in the process of assessing the impact of AASB 9. Based on the preliminary assessment done to date, the Group notes the following:

Classification and measurement

Under the classification and measurement requirements for financial assets, financial assets must be classified and measured at either amortised cost or at fair value through profit or loss or through other comprehensive income, depending on the basis of the entity's business model for managing the financial asset and the contractual cash flow characteristics of the financial asset. AASB 9 requirements address the problem of volatility in net earnings arising from an issuer choosing to measure certain liabilities at fair value and require that the portion of the change in fair value due to changes in the entity's own credit risk be presented in other comprehensive income, rather than within net earnings.

16. Financial assets and liabilities (continued)

The Group does not expect a significant impact on its balance sheet or equity from applying the classification and measurement requirements of AASB 9. It expects to continue measuring at fair value all financial assets currently held at fair value.

Impairment

AASB 9 requires the Group to record expected credit losses on all of its trade receivables, either on a 12-month or lifetime basis. Given the strong collectability history of the Group's receivables, it does not expect any significant increases in expected loss allowances following AASB 9.

Hedge accounting – the Group currently does not apply hedge accounting

The new hedge accounting requirements of AASB 9 is not expected to have a significant effect on the consolidated financial statements.

17. Long-term borrowings

	2017	2016	2015
	\$M	\$M	\$M
Long-term bank loans	-	(2.5)	787.2
Finance lease liability	43.5	43.2	42.9
Total non-current borrowings	43.5	40.7	830.1

Finance lease liability represents the present value of the lease payments under the finance lease at reporting date. For further details, refer to Note 15 *Commitments and contingencies*.

18. Consolidated net debt

	2017	2016	2015
	\$M	\$M	\$M
Net debt			
Cash and cash equivalents	164.7	426.3	188.0
Borrowings – repayable within one year	(246.4)	(6.9)	(564.1)
Borrowings – repayable after one year	(43.5)	(40.7)	(830.1)
	(125.2)	378.7	(1,206.2)

Analysis of changes in consolidated net debt	Other Assets	Liabilities from financing activities				Total
	Cash / overdrafts	Finance leases due within 1 year	Finance leases due after 1 year	Borrowings due within 1 year	Borrowings due after 1 year	
	\$M	\$M	\$M		\$M	\$M
Net debt as at 1 January 2017	426.3	(6.9)	(43.2)	-	2.5	378.7
Cash flows	(261.6)	7.5	-	(240.0)	-	(494.1)
Other non-cash movements	-	(7.7)	(0.3)	0.7	(2.5)	(9.8)
Net debt as at 31 December 2017	164.7	(7.1)	(43.5)	(239.3)	-	(125.2)

19. Contributed equity

Ordinary shares are classified as equity.

	2017	2016	2015
	\$M	\$M	\$M
Issued and paid up capital			
809,323,406 ordinary shares at \$0.7972 per share	645.2	645.2	808.2
Movements in ordinary share capital			
	Shares	\$M	
At 1 January 2015	809,323,406	808.2	
At 31 December 2015	809,323,406	808.2	
Capital return at \$0.2014 per share	-	(163.0)	
At 31 December 2016	809,323,406	645.2	
At 31 December 2017	809,323,406	645.2	

In 2016, the Group sold property, plant and equipment to Viva Energy REIT which resulted in a gain on disposal of \$1,379.3 million. As a result of the asset sale, the Group determined to provide capital return to shareholders amounting to \$163.0 million in 2016 and declared dividends of \$252.8 million in 2017.

20. 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 2017			
Derivative liabilities	-	9.3	-
Total at 31 December 2017	-	9.3	-
31 December 2016			
Financial assets	-	-	177.7
Derivative assets	-	8.0	-
Derivative liabilities	-	0.9	-
Total at 31 December 2016	-	8.9	177.7
31 December 2015			
Financial assets	-	-	48.2
Derivative assets	-	0.4	-
Derivative liabilities	-	17.2	-
Total at 31 December 2015	-	17.6	48.2

There were no transfers between levels during the 2017, 2016 and 2015 years.

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

(a) Fair value measurement hierarchy for the Group (continued)

The nature of the unobservable inputs into the valuation calculation determines that fair value cannot be reliably assessed. Therefore in line with accounting standard, application management have assessed that the fair value of financial assets and financial liabilities approximated their carrying amounts. At 31 December 2017, there are no Level 3 instruments.

(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 2017, the marked-to-market value of derivative asset positions is net of a credit valuation adjustment attributable to derivative counterparty default risk.

Financial assets

Financial assets relate to contractual rights to receive future cash flows associated with arrangements in place with Shell. Management have determined the fair value based on discounting estimated future cash flows at a weighted average cost of capital that is appropriate to the risk associated with the underlying cash flow. Refer to Note 16 *Financial assets and liabilities*.

21. 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 equivalent 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 shifts 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 Group Credit team. Both Group Treasury and the Credit team operate under policies approved by the Board. Group Treasury and the Credit team identify, evaluate and monitor the financial risks in close co-operation with the Group's operating units.

(a) Foreign exchange risk

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

The objective of the Group's foreign exchange program is to minimize 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 out 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 2017, 2016 and 2015, 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 2017, the total fair value of all outstanding foreign currency exchange forwards amounted to a \$9.3 million loss (2016: \$7.1 million gain, 2015: \$16.8 million loss).

21. Financial risk management (continued)

(a) Foreign exchange risk (continued)

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 Australian dollar ('AUD') strengthened / weakened by 10% against the USD with all other variables held constant, are set below. The foreign exchange program outlined is undertaken to mitigate this risk.

	2017	2016	2015
	\$M	\$M	\$M
USD denominated trade receivables (in AUD)	186.8	190.7	257.3
USD denominated trade payables (in AUD)	(1,003.9)	(773.2)	(781.2)
Net exposure	(817.1)	(582.5)	(523.9)
Effect in pre-tax profit			
AUD strengthens against USD by 10%	81.7	58.3	52.3
AUD weakens against USD by 10%	(81.7)	(58.3)	(52.3)

The Group has minimal exposure to other currencies (EUR, GBP, NZD and SGD) with total payable balance denominated in other currencies of \$1.6 million at 31 December 2017 (2016: \$0.8 million, 2015: \$1.0 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:

	2017	2016	2015
	\$M	\$M	\$M
Financial assets			
Cash and cash equivalents	164.7	426.3	188.0
Loan to related party (Long-term)	5.0	5.0	5.0
Total financial assets	169.7	431.3	193.0
Financial liabilities			
Short-term bank loans	239.3	-	557.4
Long-term bank loans	-	(2.5)	787.2
Total financial liabilities	239.3	(2.5)	1,344.6
Net exposure	(69.6)	433.8	(1,151.6)
Interest rates decrease by 1%	(0.7)	4.3	(11.5)
Interest rates increase by 1%	0.7	(4.3)	11.5

(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.

21. Financial risk management (continued)

(c) Liquidity risk (continued)

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
31 December 2017	\$M	\$M	\$M	\$M
Trade and other payables	1,586.0	-	-	1,586.0
Short-term bank loans	239.3	-	-	239.3
Derivative liabilities	9.3	-	-	9.3
Finance lease liability	7.7	32.7	111.3	151.7
Total at 31 December 2017	1,842.3	32.7	111.3	1,986.3

	No more than 1 year	More than 1 year but no more than 5 years	More than 5 years	Total
31 December 2016	\$M	\$M	\$M	\$M
Trade and other payables	1,359.5	-	-	1,359.5
Derivative liabilities	0.9	-	-	0.9
Finance lease liability	7.5	31.9	119.8	159.2
Total at 31 December 2016	1,367.9	31.9	119.8	1,519.6

	No more than 1 year	More than 1 year but no more than 5 years	More than 5 years	Total
31 December 2015	\$M	\$M	\$M	\$M
Trade and other payables	1,245.0	-	-	1,245.0
Bank loans	557.4	787.2	-	1,344.6
Derivative liabilities	17.2	-	-	17.2
Finance lease liability	7.3	31.1	128.1	166.5
Total at 31 December 2015	1,826.9	818.3	128.1	2,773.3

The financial liabilities due within the next 12 month period amount to \$1,842.3 million. The Group have current assets of \$2,369.6 million, a net current asset position of \$260.6 million and are in a position to meet their financial liability obligations 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.

21. Financial risk management (continued)

(d) Commodity price risk (continued)

The Group manages commodity price exposure through the purchase or sale of swaps contracts up to 36 months forward. No commodity price hedges were entered into at 31 December 2017, 2016 and 2015.

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:

	2017	2016	2015
	\$M	\$M	\$M
Commodity prices increase by 10%	2.6	2.5	1.6
Commodity prices decrease by 10%	(2.6)	(2.5)	(1.6)

(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.

All receivables are monitored by the Group Credit team. If any amounts owing are overdue, these are followed up and, if necessary, allowances are made for debts that are doubtful.

The aging profile of the receivable balance is detailed in Note 7 *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 for financial position.

Taxation

22. Income tax

Consolidated statement of profit or loss

	2017	2016	2015
	\$M	\$M	\$M
(a) Income tax expense			
<i>Current income tax:</i>			
Current tax expense	176.8	177.4	1.6
Deferred tax expense	(33.4)	303.5	77.5
Adjustment relating to prior periods	18.1	(0.5)	1.0
Income tax expense reported in the consolidated statement of profit or loss	161.5	480.4	80.1
<i>Deferred income tax (benefit)/expense included in income tax (benefit)/expense comprises:</i>			
(Increase)/decrease in deferred tax assets (Note 23)	(23.9)	67.6	65.3
(Decrease)/increase in deferred tax liabilities (Note 23)	(9.5)	235.9	12.2
Adjustment relating to prior periods (Note 23)	24.9	-	-
	(8.5)	303.5	77.5

Consolidated statement of other comprehensive income

Deferred tax related to items recognised in other comprehensive income during the period:

Remeasurement of defined benefit obligations	(0.1)	(0.5)	(5.0)
Unrealised losses on cash flow hedges recognised by Viva Energy REIT	0.8	-	-

(b) Reconciliation of income tax expense to prima facie tax payable

Accounting profit before income tax expense	451.2	1,699.5	239.9
Tax at the Australian tax rate of 30%	135.4	509.8	72.0
Other non-assessable income	-	-	(1.2)
Non-deductible transaction costs	4.3	-	0.2
Research and development expenditure	1.8	4.0	7.4
Property, plant and equipment deferred tax asset derecognition	-	-	8.0
Recognition of previously unrecognised tax base on REIT assets	-	(57.6)	-
Election to form tax consolidated group	-	29.4	-
Remeasurement of defined benefit obligations	-	0.5	5.0
Sundry items	4.6	1.2	(2.1)
Adjustment relating to prior periods	18.1	(0.5)	1.0
Non-refundable carry forward tax offsets	(2.7)	(6.4)	(10.2)
Income tax expense/ for the period	161.5	480.4	80.1

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.

The current income tax charge 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.

Tax Consolidation

The Company and its wholly-owned Australian controlled entities Note 24(c) *Group information* have implemented the tax consolidation legislation.

The head entity, Viva Energy Holding Pty Ltd, and the controlled entities in the tax consolidated group (TCG) account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the TCG continues to be a stand-alone taxpayer in its own right.

22. Income tax (continued)

In addition to its own current and deferred tax amounts, the Company also recognises the current 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 have also entered into a tax funding agreement under which the wholly-owned entities fully compensate the Company for any current tax payable assumed and are compensated by the Company for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to the Company under the tax consolidation legislation.

The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements. The amounts receivable or payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after tax becomes due and payable.

The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments. Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the Group. Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

23. Deferred tax

Deferred income tax is provided in full, using the liability method, 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 an asset or liability in a transaction, other than a business combination that at the time of the transaction affects neither accounting or taxable profit nor 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.

	2017	2016	2015
	\$M	\$M	\$M
Deferred tax assets			
<i>The balance comprises combined temporary differences attributable to:</i>			
Tax losses	-	-	73.6
Inventories	64.0	53.0	45.4
Asset retirement obligation	28.3	28.1	31.2
Employee benefits	17.7	17.5	15.4
Other	32.9	18.2	19.3
Total deferred tax assets	142.9	116.8	184.9
Deferred tax liabilities			
<i>The balance comprises combined temporary differences attributable to:</i>			
Property, plant and equipment	(142.2)	(124.1)	(91.6)
Intangible assets	(51.8)	(3.4)	(3.4)
Derivative contracts	(10.1)	(6.4)	(2.5)
Financial assets and investments	(164.9)	(214.0)	(14.5)
Total deferred tax liabilities	(369.0)	(347.9)	(112.0)
Net deferred tax (liabilities)/assets	(226.1)	(231.1)	72.9
Net deferred tax balances expected to be incurred within 12 months	(2.3)	(2.3)	31.3
Net deferred tax balances expected to be incurred after more than 12 months	(223.8)	(228.8)	41.6
Net deferred tax (liabilities)/assets	(226.1)	(231.1)	72.9

23. Deferred tax (continued)

Movements in deferred tax assets

	Tax losses	Inventories	Asset retirement obligations	Employee benefits	Other	Total
	\$M	\$M	\$M	\$M	\$M	\$M
2015 movements						
Opening balance at 1 January 2015	123.3	61.5	31.4	21.6	18.3	256.1
<i>(Charged)/credited:</i>						
To profit or loss (Note 22)	(50.3)	(16.1)	(0.2)	(1.2)	2.5	(65.3)
Directly to equity	-	-	-	(5.0)	-	(5.0)
Other movements	0.6	-	-	-	(1.5)	(0.9)
Closing balance at 31 December 2015	73.6	45.4	31.2	15.4	19.3	184.9

2016 movements

Opening balance at 1 January 2016	73.6	45.4	31.2	15.4	19.3	184.9
<i>(Charged)/credited:</i>						
To profit or loss (Note 22)	(73.6)	7.6	(3.1)	2.6	(1.1)	(67.6)
Directly to equity	-	-	-	(0.5)	-	(0.5)
Closing balance at 31 December 2016	-	53.0	28.1	17.5	18.2	116.8

2017 movements

Opening balance at 1 January 2017	-	53.0	28.1	17.5	18.2	116.8
<i>(Charged)/credited:</i>						
To profit or loss (Note 22)	-	11.0	(1.2)	(0.6)	14.7	23.9
Acquired in business combination	-	-	1.4	0.8	-	2.2
Closing balance at 31 December 2017	-	64.0	28.3	17.7	32.9	142.9

Movements in deferred tax liabilities

	Property, Plant and Equipment	Intangible assets	Derivative contracts	Financial assets and investments	Other	Total
	\$M	\$M	\$M	\$M	\$M	\$M
2015 movements						
Opening balance at 1 January 2015	(53.9)	(4.2)	(21.1)	(14.5)	(6.1)	(99.8)
<i>(Charged)/credited:</i>						
To profit and loss (Note 22)	(37.7)	0.8	16.0	-	8.7	(12.2)
Other movements	-	-	2.6	-	(2.6)	-
Closing balance at 31 December 2015	(91.6)	(3.4)	(2.5)	(14.5)	-	(112.0)
2016 movements						
Opening balance at 1 January 2016	(91.6)	(3.4)	(2.5)	(14.5)	-	(112.0)
<i>(Charged)/credited:</i>						
To profit and loss (Note 22)	(32.5)	-	(3.9)	(199.5)	-	(235.9)
Closing balance at 31 December 2016	(124.1)	(3.4)	(6.4)	(214.0)	-	(347.9)
2017 movements						
Opening balance at 1 January 2017	(124.1)	(3.4)	(6.4)	(214.0)	-	(347.9)
<i>(Charged)/credited:</i>						
To profit and loss (Note 22)	(10.2)	3.5	(3.0)	(5.7)	-	(15.4)
Acquired in business combination	(7.9)	(51.9)	-	54.8	-	(5.0)
Other comprehensive income	-	-	(0.7)	-	-	(0.7)
Closing balance at 31 December 2017	(142.2)	(51.8)	(10.1)	(164.9)	-	(369.0)

Group structure

24. Group information

(a) Principles of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2017. 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) Parent entities

The immediate parent entity is Viva Energy B.V. (incorporated in the Netherlands) which owns 100% of the Group, and the ultimate parent entity and ultimate controlling party is Vitol Investment Partnership Limited (incorporated in Jersey) which owns 100% of Viva Energy B.V. Further details regarding the transactions with the controlling companies can be found in Note 30 *Related party disclosures*.

(c) Controlled entities

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

Name of entity	Country of incorporation/establishment	Equity holding 2017 %	Equity holding 2016 %	Equity holding 2015 %
Viva Energy Australia Group Pty Limited	Australia	100	100	100
Viva Energy Australia Pty Limited	Australia	100	100	100
Viva Energy Aviation Pty Limited	Australia	100	-	-
Viva Energy Gas Pty Limited	Australia	100	100	100
Viva Energy Refining Pty Limited	Australia	100	100	100
VER Limited	Australia	-	-	100
VER Manager Pty Limited	Australia	100	100	-
ZIP Airport Services Pty Ltd	Australia	100	-	-

Viva Energy Aviation Pty Limited and ZIP Airport Services Pty Ltd were acquired on 31 May 2017.

(d) Interests in associates

The Group has a 50% interest in Liberty Oil Holdings Pty Limited (2016: 50%, 2015: 50%) and a 38% interest in Viva Energy REIT (2016: 40%, 2015: nil). These investments are accounted for using the equity method. Further details regarding these investments can be found in Note 26 *Interests in associates and joint operations*.

(e) Interests in joint operations

The Group has a 52% interest in W.A.G Pipeline Pty Ltd (2016: 52%, 2015: 52%) and a 50% interest in Crib Point Terminal Pty Ltd (2016: 50%, 2015: 50%). These are classified as joint operations under AASB 11 *Joint Arrangements*. Further details regarding these investments can be found in Note 26 *Interests in associates and joint operations*.

25. Business combinations

On 31 May 2017, the Company acquired 100% of the voting shares and operations of Shell Aviation Australia Pty Ltd ('Shell Aviation'), an entity based in Australia and part of the Shell Group of Companies for consideration of \$651.9 million plus incidental acquisition costs. The total purchase consideration was paid as follows:

	Purchase consideration
	\$M
Offset loan receivable and financial assets associated with Shell Aviation	154.7
Offset trade receivables from Shell Aviation	165.0
Cash settlement	332.2
Consideration paid	651.9

Shell Aviation specialise in the distribution and supply of aviation fuels to airports around Australia. The Group acquired Shell Aviation as its operations align with the Viva Energy Group core operations and provide additional channels and infrastructure to support the sale of the Group's aviation fuel products.

25. Business combinations (continued)

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

	Recognised values
	\$M
Cash and cash equivalents	73.2
Trade and other receivables	137.7
Property, plant and equipment	113.2
Intangible assets	173.0
Inventories	17.6
Other assets	0.5
Trade payables	(5.1)
Provisions	(14.0)
Net deferred tax liabilities	(57.5)
Net identifiable assets and liabilities at fair value	438.6
Goodwill on acquisition	213.3
Consideration paid	651.9

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

Intangible assets acquired of \$173.0 million represents the amount paid to Shell Aviation for customer contracts and joint venture rights, which meets the criteria for recognition as a separately identifiable intangible asset at the date of acquisition. These intangible assets are to be amortised over their expected life. Refer to Note 13 *Goodwill and other intangible assets* for further details.

Goodwill acquired of \$213.3 million represents other intangible assets that did not meet the criteria for recognition as separately identifiable assets at the date of acquisition. The Goodwill has been allocated to the Retail, Fuels and Marketing CGU and was tested for impairment upon acquisition. None of the goodwill recognised is expected to be deductible for tax purposes. The consideration of the carrying value of Goodwill is considered in Note 13 *Goodwill and other intangible assets*.

There were no other material business combinations during the year ended 31 December 2017.

Shell Aviation contributed a net profit of \$19.4 million (including acquisition costs) to the Group's consolidated net profit for the 2017 year. If the acquisition had occurred on 1 January 2017, the Group estimates that the net profit contributed by Shell Aviation would have been \$35.0 million for the full year.

In accordance with accounting standard requirements, the cash flow statement on page 12 shows the cash consideration related to the business combination on a net basis.

26. 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:

	2017	2016	2015
	\$M	\$M	\$M
Liberty Oil Holdings Pty Limited	58.4	58.2	60.0
Viva Energy REIT	570.2	535.5	-
Total investments accounted for using the equity method	628.6	593.7	60.0

Liberty Oil Holdings Pty Limited

Liberty Oil Holdings Pty Limited ('Liberty') is a private entity that is based in Melbourne, Australia. The Group holds 50% (2016: 50%, 2015: 50%) equity holding in Liberty.

Liberty had no other contingent liabilities or capital commitments as at 31 December 2017, 2016 and 2015, except as disclosed in Note 15 *Commitments and contingencies*.

26. Interests in associates and joint operations (continued)

(a) Associates (continued)

Viva Energy REIT

Viva Energy REIT is an ASX listed real estate investment trust that owns a portfolio of service stations leased to Viva Energy Australia Pty Limited, a wholly-owned, consolidated subsidiary of the Group. The Group holds a 38% interest (2016: 40% - the Group recognised an immaterial gain on dilution in the 2017 year) in Viva Energy REIT and is represented by two board members. The 276,060,625 shares owned in Viva Energy REIT had a fair value of \$623.9 million (2016: \$662.5 million) as at 31 December 2017 based on the ASX quoted share price.

	2017	2016
	\$M	\$M
Movement of Viva Energy REIT investment		
Balance at the beginning of the year	535.5	535.5
Dividends received	(32.8)	-
Share of Viva Energy REIT profit	65.2	-
Share of Viva Energy REIT OCI	2.3	-
	570.2	535.5

Total share of profits in associates for the 2017 year amounted to \$65.4 million (2016: nil, 2015: nil) which comprised of \$65.2 million related to Viva Energy REIT and \$0.2 million from Liberty.

Included within the capital commitments disclosed in Note 15 *Commitments and contingencies*, is a \$9.2 million (2016: nil, 2015: nil) commitment which represents the Group's share of the contract entered into by Viva Energy REIT for the purchase of investment properties totalling \$24.0 million. Viva Energy REIT had no other contingent liabilities or capital commitments as at 31 December 2017, 2016 and 2015, except as disclosed in Note 15 *Commitments and contingencies*.

Aggregate summary information of associates

This summarised financial information is shown on a 100 per cent basis. It represents the amounts shown in financial statements of the associate companies in accordance with Australian accounting standards.

	2017	2016	2015
	\$M	\$M	\$M
Current assets	139.0	144.5	59.7
Non-current assets	2,343.1	2,167.2	57.4
Current liabilities	(109.6)	(95.9)	(56.0)
Non-current liabilities	(763.1)	(765.5)	(37.7)
Net assets/(liabilities)	1,609.4	1,450.3	23.4
Net assets/(liabilities) – Group share based on percentage of investment	614.6	582.2	11.7
Carrying amount of investments accounted for using the equity method	628.6	593.7	60.0
Revenue	1,513.8	1,226.9	1,026.0
Net profit from continuing operations	172.3	1.7	4.1
Other Comprehensive Income	(7.0)	12.3	-
Total Comprehensive Income	165.3	14.0	4.1
Distributions received from equity accounted for investments	32.8	1.7	-

(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 and a 50% interest in Crib Point Terminal Pty Ltd. The investments are incorporated in Australia with principal operations in Victoria, 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 2017, 2016 and 2015, except as disclosed in Note 15 *Commitments and contingencies*.

27. Parent company financial information

	2017	2016	2015
	\$M	\$M	\$M
Statement of financial position			
Current assets	129.1	48.7	66.6
Non-current assets	896.6	680.8	2,060.4
Total assets	1,025.7	729.5	2,127.0
Current liabilities	199.6	46.9	39.8
Non-current liabilities	246.0	3.0	1,353.0
Total liabilities	445.6	49.9	1,392.8
Contributed equity	645.2	645.2	808.2
Retained (losses)/earnings	(65.1)	34.4	(74.0)
Total equity	580.1	679.6	734.2
Results			
Profit of the Company	153.3	108.3	16.0
Total comprehensive income of the Company	153.3	108.3	16.0

28. Deed of Cross Guarantee

The Company and all the controlled entities listed in Note 24(c) *Group information* are parties to a Deed of Cross Guarantee ('Deed') as at 31 December 2017 under which 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. The Deed becomes enforceable in respect of the debt of a Group entity upon (or after a resolution for) the winding up of the Group entity. The Deed of Cross Guarantee was amended and updated on 18 December 2017 to include Viva Energy Aviation Pty Ltd and ZIP Airport Services Pty Ltd.

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.

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 2017, 2016 and 2015 are set out below.

The comparative 31 December 2016 and 2015 aggregate information does not include Viva Energy Aviation Pty Ltd and ZIP Airport Services Pty Ltd.

28. Deed of Cross Guarantee (continued)

	2017	2016	2015
	\$M	\$M	\$M
Revenue	15,660.5	14,130.9	16,494.6
Replacement cost of goods sold	(9,524.5)	(8,214.5)	(10,190.2)
Inventory gain/(loss)	(8.7)	(61.2)	(52.6)
Sales duties and taxes	(4,123.6)	(4,177.1)	(4,273.4)
Transportation expenses	(256.4)	(258.7)	(412.6)
Historical cost of goods sold	(13,913.2)	(12,711.5)	(14,928.8)
Gross profit	1,747.3	1,419.4	1,565.8
Net gain on disposal of property, plant and equipment to Viva Energy REIT	-	1,379.3	-
Net gain/(loss) on other disposal of property, plant and equipment	15.6	10.3	(17.7)
Other income/(loss)	15.6	1,389.6	(17.7)
Transportation expenses	(316.1)	(328.1)	(332.0)
Salaries and wages	(242.1)	(220.3)	(255.4)
General and administration expenses	(125.8)	(188.3)	(178.3)
Maintenance expenses	(99.4)	(103.7)	(119.1)
Operating leases	(269.0)	(165.8)	(97.0)
Sales and marketing expenses	(106.1)	(97.4)	(97.0)
Impairment	(0.5)	(2.7)	(2.1)
Results from operations	603.9	1,702.7	467.2
Interest income	3.6	8.5	9.2
Realised/unrealised (loss)/gain on derivatives	(41.1)	17.0	(27.3)
Net foreign exchanges gain/(loss)	17.7	(10.0)	(32.9)
Movement in financial assets	4.8	129.5	-
Depreciation and amortisation expenses	(107.1)	(78.2)	(76.9)
Finance costs	(31.3)	(70.7)	(100.2)
Profit before income tax expense	450.5	1,698.8	239.1
Income tax expense	(161.3)	(480.2)	(79.9)
Profit after tax	289.2	1,218.6	159.2

28. Deed of Cross Guarantee (continued)

	2017	2016	2015
	\$M	\$M	\$M
ASSETS			
Current assets			
Cash and cash equivalents	164.4	426.1	187.5
Trade and other receivables	1,162.7	1,032.4	1,075.6
Inventories	964.8	649.6	671.7
Assets classified as held for sale	9.7	36.6	-
Derivative assets	-	8.0	0.4
Prepayments	56.1	51.8	38.7
Other current assets	6.1	7.4	10.5
	2,363.8	2,211.9	1,984.4
Non-current assets			
Long-term receivables	13.9	57.5	124.3
Property, plant and equipment	1,395.3	1,185.4	1,733.9
Net deferred tax assets	-	-	73.0
Intangible assets, including Goodwill	384.7	8.9	11.4
Financial assets	-	177.7	48.2
Post-employment benefits	15.3	16.4	16.1
Investments accounted for using the equity method	628.6	593.7	61.4
Other non-current assets	0.8	4.2	4.5
	2,438.6	2,043.8	2,072.8
Total assets	4,802.4	4,255.7	4,057.2
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	1,586.6	1,358.8	1,243.9
Provisions	152.1	119.2	138.2
Short-term borrowings	246.4	-	564.1
Derivative liabilities	9.3	0.9	17.2
Current tax liabilities	139.0	172.4	-
	2,133.4	1,651.3	1,963.4
Non-current liabilities			
Provisions	169.2	137.5	131.3
Long-term borrowings	43.5	45.3	827.8
Net deferred tax liabilities	226.1	231.1	-
	438.8	413.9	959.1
Total liabilities	2,572.2	2,065.2	2,922.5
Net assets	2,230.2	2,190.5	1,134.7
Equity			
Contributed equity	641.0	641.0	804.0
Reserves	11.5	8.8	7.8
Retained earnings	1,577.7	1,540.7	322.9
Total equity	2,230.2	2,190.5	1,134.7

Other disclosures

29. Post-employment benefits

(a) Superannuation plan

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

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

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

(b) Defined benefit superannuation - significant estimate

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

An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. 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

	2017	2016	2015
	\$M	\$M	\$M
Present value of defined benefit obligation	(123.1)	(124.2)	(132.3)
Fair value of defined benefit plan assets	138.4	140.6	148.4
Net defined benefit asset recognised in the consolidated statement of financial position	15.3	16.4	16.1

29. Post-employment benefits (continued)

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

Amounts recognised in consolidated statement of profit or loss

	2017	2016	2015
	\$M	\$M	\$M
Amounts recognised in profit or loss			
Service cost	4.8	5.2	6.8
Member contributions	(0.6)	(0.7)	(1.1)
Plan expenses	0.9	1.2	1.3
Current service cost	5.1	5.7	7.0
Net interest on the new defined benefit liability/(asset)	(0.5)	(0.5)	0.1
Components of defined benefit cost recorded in profit or loss	4.6	5.2	7.1
Amounts recognised in other comprehensive income			
Remeasurement of the net defined benefit liability:			
Return on assets less interest income	(3.1)	(1.2)	(1.5)
Actuarial (gain)/loss – change in financial assumptions	3.9	(0.5)	(14.8)
Actuarial (gain)/loss – experience adjustments	(0.6)	0.2	(0.5)
Tax on remeasurement of defined benefit obligation	(0.1)	0.5	5.0
Components of defined benefit cost recorded in other comprehensive income	0.1	(1.0)	(11.8)

The following payments are expected to be contributed to the defined benefit plan in future years:

	2017	2016	2015
	\$M	\$M	\$M
Within the next 12 months	3.8	4.0	4.4
Between two and five years	10.3	11.1	12.4
Between five and 10 years	5.4	5.7	6.8
Beyond 10 years	1.8	1.9	2.5
Total expected payments	21.3	22.7	26.1

The average duration of the defined benefit plan obligation at the end of the reporting period is five years (2016: five years, 2015: six years).

Actuarial assumptions

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

	2017	2016	2015
	%	%	%
Discount rate	3.2	3.5	3.7
Expected rate of salary increases	2.5	2.3	2.5
Pension increase rate	2.1	2.0	2.5

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

30. Related party disclosures

Note 24 *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.
- There have been no guarantees provided or received for any related party receivables or payables.
- For the year ended 31 December 2017, 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 (2016: nil, 2015: 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

	2017	2016	2015
	\$M	\$M	\$M
Related party transactions			
Purchases	8,087.0	6,799.5	8,467.2
Sales	17.8	68.4	145.4
Dividends paid to parent	252.8	-	-
Return of capital	-	163.0	-
Receivables	-	3.9	1.2
Payables	989.0	702.1	737.6

(b) Transactions with associates

	2017	2016	2015
	\$M	\$M	\$M
Related party transactions			
Purchases	18.8	11.5	7.8
Sales	1,139.2	890.0	888.9
Loan to associate	5.0	5.0	5.0
Interest income from associate	0.1	0.3	-
Sales of assets to Viva Energy REIT	-	2,104.8	-
Lease expense paid to associates	128.4	49.2	-
Dividends from associates	32.8	1.8	-
Receivables	69.8	58.3	34.0
Payables	11.7	11.3	-

In the 2016 prior period, the Group sold property, plant and equipment to Viva Energy REIT for total proceeds of \$2,104.8 million. A reconciliation of the gain on sale is outlined below.

	2016
	\$M
Net cash proceeds	1,569.2
Investment in Viva Energy REIT	535.6
Total proceeds	2,104.8
Less: Net book value of property, plant and equipment	(725.5)
Net gain on disposal of property, plant and equipment to Viva Energy REIT	1,379.3

30. 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 company with the Vitol group of companies are in the ordinary course of business and are at arm's length.

(d) Key management personnel compensation

	2017	2016	2015
	\$M	\$M	\$M
Short-term employee benefits	5.9	8.6	5.3
Post employee benefits	0.3	0.3	0.2
Employee option plan	0.2	0.9	-
Total compensation paid to key management personnel	6.4	9.8	5.5

(e) Employee option plan

The establishment of an Employee Option Plan for the Group's executive staff was approved by shareholders during 2016. The Employee Option Plan is designed to provide long-term incentives for selected executive staff to deliver long-term earnings for the Group. Under the plan, participants are granted options which only vest if certain performance standards are met. Participation in the plan is at the board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

The total granted options over unissued preference shares outstanding as at 31 December 2017 is 16,186,468 (2016: 17,805,115, 2015: nil) with a weighted average exercise price per share option of USD\$1.64 (2016: USD\$1.76, 2015: nil). 809,323 options were granted on 25 October 2017 whilst 2,427,970 options were cancelled during the current period. No options have been granted to Directors or any of the five highest remunerated officers since the end of the financial year.

Grant Date	Expiry date	Exercise price	Number of Options		
			31 December 2017	31 December 2016	31 December 2015
26 April 2016	1 January 2020	USD \$1.48	13,758,498	13,758,498	-
26 April 2016	1 January 2020	USD \$2.72	1,618,647	1,618,647	-
26 April 2016	1 January 2021	USD \$2.72	-	2,427,970	-
25 October 2017	1 January 2022	USD \$2.17	809,323	-	-
Total			16,186,468	17,805,115	-
Weighted average remaining contractual life of options outstanding at end of period			2.1 years	3.1 years	-

The assessed fair value at grant date is determined using an adjusted form of the Black Scholes Model and the Chaffe put option model, that takes into account exercise price, the term of the option, business valuation at grant date, volatility rate of 40%, risk free rate in the range of 1%-1.5% and the impact of control / marketability variants were used in the calculation of the fair value of the options.

Total expenses arising from employee option plan transactions recognized during the 2017 period was \$0.2 million (2016: \$0.9 million, 2015: nil).

31. 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.

	2017	2016	2015
	\$	\$	\$
Audit or review services:			
Audit or review of financial reports of the Group	530,000	640,000	573,960
Non-audit services:			
Other assurance services	252,500	94,300	90,000
Due diligence services and other services	280,899	549,054	443,000
Total	1,063,399	1,283,354	1,106,960

32. Events occurring after the reporting period

In March 2018, land and associated plant & equipment assets with a net book value of \$5.4 million were transferred to out of the Group to be utilised in a special purpose land owning entity wholly owned by the Group's immediate parent entity. This transfer, along with the \$53.2 sales transfer initiated in December 2017, resulted in a total capital return of \$45.1 million and a dividend payment of \$13.5 million that was completed post year end. This transaction is part of an internal reorganisation by the immediate parent entity that would allow more management focus on the use of these land assets.

On 26 March 2018, the Group refinanced the existing US\$900 million secured borrowing base facility and replaced it with a US\$700 million unsecured revolving credit facility which has an initial 2 year term and 1 year extension option. The first utilisation date under the new facility was 28 March 2018.

No matters other than those identified above have arisen since the end of the year which have 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.



Independent auditor's report

To the members of Viva Energy Holding Pty Ltd

Our opinion

In our opinion the accompanying financial statements present fairly, in all material respects, the financial position of Viva Energy Holding Pty Ltd (the Company) and its controlled entities (together the Group) as at 31 December 2015, 31 December 2016 and 31 December 2017 and its financial performance and its cash flows for the years ended 31 December 2015, 31 December 2016 and 31 December 2017 in accordance with Australian Accounting Standards.

What we have audited

The Group financial statements comprise:

- the consolidated statements of financial position as at 31 December 2015, 31 December 2016 and 31 December 2017
- the consolidated statements of comprehensive income for the years ended 31 December 2015, 31 December 2016 and 31 December 2017
- the consolidated statements of profit or loss for the years ended 31 December 2015, 31 December 2016 and 31 December 2017
- the consolidated statements of changes in equity for the years ended 31 December 2015, 31 December 2016 and 31 December 2017
- the consolidated statements of cash flows for the years ended 31 December 2015, 31 December 2016 and 31 December 2017
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

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 statements* 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 ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial statements in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibilities of the directors for the financial statements

The directors of the Company are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards, and for such internal control as the directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, 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 statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are 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 statements.

As part of our audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our audit opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the group financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for the audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of our audit and significant audit findings, including any significant deficiencies in internal control that we identify during the audit.

A stylized, handwritten signature in black ink that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A stylized, handwritten signature in black ink that reads 'Chris Dodd'.

Chris Dodd
Partner

Melbourne
28 May 2018