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

Results for announcement to the market

The current reporting period is the year ended 31 December 2021. The previous corresponding period is the year ended 31 December 2020.

	Year ended 31 December 2021 A$M	Year ended 31 December 2020 A$M	% Change
Revenue	**15,900.0**	**12,409.9**	**28.1%**
Profit/(loss) from ordinary activities after tax / net profit/(loss) for the period attributable to shareholders			
Historical cost basis	**232.9**	**(36.2)**	**743.4%**
Replacement cost basis[1]	**191.6**	**33.4**	**473.7%**

[1] Prior year comparative reflects the recently implemented reporting changes.

Brief explanation of basis of results

Viva Energy reports its performance on a "Replacement Cost" (RC) basis. RC is a non-IFRS measure under which the cost of goods sold is calculated on the basis of theoretical new purchases of inventory instead of the historical cost of inventory. As a result, it removes the effect of timing differences and management believes it enables users of the financial information to more clearly observe the operating performance of the business independently of the impact of movements in the oil price. Replacement cost basis reporting has previously captured this cost of goods sold restatement only, however in the current period, reporting changes detailed in the Directors' Report note the inclusion of lease expense now also captured in RC, with the impact of applying AASB16 recognised between NPAT (RC) and NPAT (HC). Significant items, and revaluation gain on FX and oil derivatives will also be recognised between NPAT (RC) and NPAT (HC), and prior period replacement cost basis results have been restated for this change.

	Year ended 31 December 2021 cents	Year ended 31 December 2020 cents	% change
Statutory Earnings per share (Historical cost basis)	**14.6**	**(1.9)**	**868.4%**
Underlying Earnings per share (Replacement cost basis)[1]	**12.0**	**1.8**	**566.7%**

[1] Prior year comparative reflects the recently implemented reporting changes.

The above earnings per share calculations are based on the weighted average number of ordinary shares on issue in the Company over the current year ended 31 December 2021 and also the comparative period. Underlying earnings per share is prepared on the basis of Underlying profit.

	Year ended 31 December 2021 A$	Year ended 31 December 2020 A$	% Change
Net tangible asset per share	**0.96**	**0.88**	**9.1%**

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

Dividends	**2021 cents**
2021 Interim dividend - amount per security (fully franked)	4.1
2021 Final dividend – amount per security (fully franked)	3.2
Trading on ex dividend basis	7 March 2022
Record date for determining entitlement to final dividend	8 March 2022
Date dividend expected to be paid	24 March 2022

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

This information should be read in conjunction with the 2021 Financial Report of Viva Energy Group Limited ('2021 Financial Report') and associated ASX market releases made during the period. The 2021 Financial Report includes additional Appendix 4E disclosure requirements and commentary on the results for the year ended 31 December 2021.

This report is based on the 2021 Financial Report which has been audited by PricewaterhouseCoopers ('PwC'). PwC has not audited Underlying numbers included in the Directors' report. The Independent Auditor's Report provided by PwC is included in the 2021 Financial Report.

Julia Kagan
Company Secretary
21 February 2022

Viva Energy Group Limited and controlled entities

Financial report for the year ended 31 December 2021

ACN: 626 661 032
ABN: 74 626 661 032

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Operating and financial review

Company overview

Viva Energy is one of Australia's leading energy companies. In 2021, Viva Energy supplied over 13 billion litres of petroleum products (approximately one quarter of Australia's liquid fuel requirements) through a national network of retail service stations and directly to commercial customers. The Group owns and operates an oil refinery in Victoria together with an extensive import, storage and distribution infrastructure network, including a presence at over 50 airports and airfields across the country. Crude oil and refined products are procured and imported by Vitol, one of the world's largest independent energy commodity trading companies.

Retail, Fuels and Marketing – Retail

Viva Energy supplies and markets quality fuel products through a national network of over 1,330 Shell, Liberty and Westside branded retail service stations with over 700 of the sites being operated by Coles Express under the Coles Alliance. Viva Energy also supplies other retail operators and wholesalers.

Retail, Fuels and Marketing – Commercial

Viva Energy is a significant supplier of fuel, lubricants and specialty hydrocarbon products to commercial customers in the aviation, marine, transport, resources, construction, agriculture and manufacturing industries. Viva Energy's strong position across many segments is underpinned by national infrastructure and long-standing customer relationships. As of this reporting period, wholesale sales (previously in Retail), are now reported in Commercial.

Refining

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

Supply and Distribution

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

Our Strategy

We have been operating in Australia for 120 years and throughout that time we have established significant infrastructure positions, deep relationships with our customers, strategic partnerships with leading companies in their field, and a reputation for operating safely, reliably, and with integrity.

Our purpose is to "help people reach their destination" and through our extensive retail network, commercial business, national terminal and pipeline infrastructure position and strategically located refinery in Geelong, Victoria, Viva Energy supplies approximately a quarter of Australia's liquid fuel requirements.

In a large and diverse country, Australians rely on affordable energy to move around, transport products to every corner of the country and beyond our shores, and produce the goods and services that drive the economy. Petrol, diesel, jet and fuel oils remain an important part of every Australian's daily life. We are, however, at the beginning of a long-term energy transition that is necessary to reduce emissions and we have an important role to play in providing the energy that people need today as well as the energies of the future, and our strategies will focus on both. Beyond energies, we are also focused on growing our exposure to non-fuel earnings, into other areas where we have proven success and see new growth opportunities.

At our November 2021 investor day, we talked about our strategy to evolve our businesses and this will be reflected in the strategies we pursue and decisions that we take:

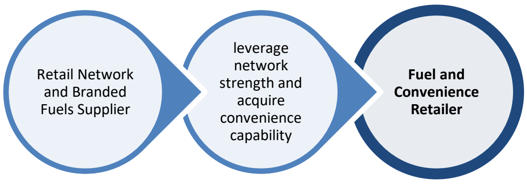
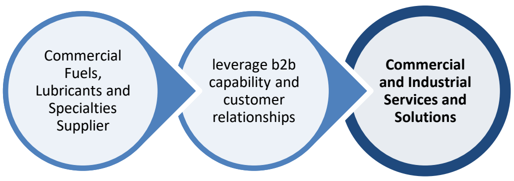
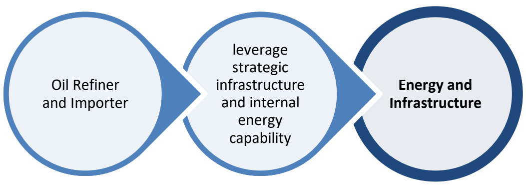
- Over time we aspire to transition to a fully integrated Fuel and Convenience Retailer. We consider that full exposure to the convenience market will become increasingly important as mobility and convenience needs expand;
- Our commercial business already supplies a range of energy and non-energy products and services to a diverse range of commercial and industrial sectors. We intend to support our customers to reduce emissions and progress their own energy transition, as well as continuing to meet their current energy needs;

Operating and financial review (continued)

Our Strategy (continued)

- We believe that the refining industry plays a vital role in Australia's economy, and have worked closely with the Australian Federal Government to implement a long term Fuel Security Package which provides important support to the refining sector. With the future of the refining business now more certain and less volatile, we have a much stronger foundation to progress the further development of our site at Geelong into an Energy Hub to support the Company's longer term aspirations to expand into other forms of energy such as natural gas, hydrogen and renewable electricity. Beyond the refinery, we have significant and strategic pipeline, terminal and logistics infrastructure positions around the country where we will explore opportunities to leverage and maximise the value that underpins these infrastructure positions.

Some of the early foundation steps we have taken in this evolution are shown below.

	Today / *Pathway* / ***Future***	**Progress to date**
Retail		• Renegotiated Alliance agreement to fully control fuel offer • Established and grown Liberty Convenience business to provide additional retail and convenience growth pathway • Secured future rights to take full control of Alliance and Liberty Convenience businesses • Coles Express store and forecourt refreshment program • Improved network efficiency across all platforms
Commercial		• Contracts to operate Rio Tinto, Woodside and HMAS Cairns fuel facilities • Established Carbon Solutions business. Launched Carbon Neutral Jet fuel and supplied first carbon neutral flight. Further expansion to other sectors • Working with customers to deploy Hydrogen fuelled electric vehicles in heavy vehicle segment • Partnered with WAGA for potential biomethane offtake as part of lower-carbon product suite
Energy Hub		• Secured contract with Government to operate Geelong Refinery until at least mid 2028, and construct strategic diesel fuel storage • Refining margin volatility risk reduced through FSSP, with opportunity for upside outperformance • Progress on LNG Terminal project in Victoria (FID by 3Q2022) with other projects in progress to create an Energy Hub at Geelong • Construction of strategic diesel fuel storage to commence

Operating and financial review (continued)

Our Strategy (continued)

Looking to the future, we intend to maintain a strong focus on outperformance in our traditional business while at the same time leveraging our diversity to create value in new growth areas:

- **Outperform in our core businesses**: we see continued growth in our traditional markets, with opportunities to outperform through: maintaining operating and capital efficiency; optimizing sales and margin opportunities; building brand and customer preference; and profitably growing market share;
- **Leverage diversity to develop new energy and non-energy growth pathways:** convenience offer development; Geelong Energy Hub Projects; integration of new energies; commercial and carbon solutions.
- **Acquire capability to accelerate proven opportunities:** invest and acquire capability where this can accelerate or extend our growth opportunities. We have a strong balance sheet with capacity for reinvestment, and will look to deploy this in areas which support future growth.

2021 Business Performance Summary

The Group delivered an exceptional performance across all parts of the business during 2021 and the management team is particularly proud of the way we continued to care for our people and successfully minimised the impacts from the pandemic on our operations to maintain safe and reliable supply to our customers through some challenging periods.

Emerging economic recovery and sustained market share growth across key segments lifted group sales by 7%, with strong earnings underpinned through our Commercial and Industrial segments outperformance. Whilst Retail earnings were impacted from rising oil prices and lower retail fuel margins, the Refining business benefited from strengthening refining margins during the final quarter on the back of strong global demand for energy. Underlying Group EBITDA (RC) and Underlying Free Cash Flow (RC) is up $239.6M and $174.0M respectively during the year. The Company maintained a disciplined approach to capital management and retains a strong balance sheet that supports future growth opportunities, which was set out in the Investor Day that was held in November 2021.

Our strategy is to develop and maximise the value of our three discrete and unique businesses to establish new energy and non-energy pathways. Increasing our exposure to convenience as partnerships conclude will be key for our Retail business, while our Commercial business will continue to supply a range of energy and non-energy products and services to a diverse range of industries. With the future of our Geelong Refinery now secure, we have plans to further develop the site into a broader Energy Hub. We expect to deliver more than $50M of new earnings over the next 3-5 years from our various businesses.

We are also proud of the commitments we have made in 2021 to progressively reduce emissions and achieve net zero across the Group by 2050. These commitments together with already announced new energy initiatives are our early steps towards creating a decarbonised future.

The diversity of our earnings has helped to insulate the Company from the impacts of higher levels of oil price volatility and segment specific impacts from lockdowns and border closures. Together with the Fuel Security Package, which provides protection for the Refining business during periods of low regional refining margins, the Company is well positioned to deliver further consistent returns and benefit from a further recovery in our markets during 2022.

Operating and financial review (continued)

2021 Business Performance Summary (continued)

Viva Energy Consolidated Results for the Full Year ended 31 December 2021

The Group Net Profit After Tax on a historical cost basis ('HC') for FY2021 was $232.9 million ('M'). After adjusting for revaluation gains, net inventory gain and the AASB16 Lease impact, Net Profit After Tax on a replacement cost basis for the period was $191.6M. A reconciliation from Statutory Profit After Tax (HC) to Net Profit After Tax (RC) is summarised in the table below.

Reconciliation of Statutory Profit After Tax to Net Profit After Tax (RC)	(A$M)
Statutory Profit After Tax	**232.9**
Less : Net Inventory gain net of tax at 30%	(88.6)
Less: Revaluation gain on FX and oil derivatives net of tax at 30%	(11.3)
Add: AASB16 Lease impact net of tax at 30%	58.6
Net Profit After Tax (RC)	**191.6**

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

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

Reporting changes implemented in 2021

Since the last reporting period the Group has undertaken a review of its underlying financial reporting across the different business segments. The review considered the evolution of our strategy, the way in which the business is run practically and how to improve transparency of underlying performance. The reporting changes implemented following this review will also assist in the comparison of our result with our key competitor. Whilst the number of segments remains the same, the historical Supply, Corporate and Overheads (S,C&O) segment is replaced with a Corporate segment. These changes are reflected in the Summary Statement of Profit or Loss in the Directors' Report, with the key changes detailed below:

1. **Adjustment to lease accounting** – Lease expenses previously excluded from EBITDA (RC) in accordance with AASB16 *Leasing* have now been included in the Underlying results of each relevant business. The impact of adopting AASB16 (including lease interest and lease related amortisation) will be reported between NPAT (RC) and NPAT (HC).

2. **Segment reclassification** - Wholesale volumes, which includes Liberty Wholesale, have been moved from Retail into Commercial as the margin and product mix of wholesale fuel volumes is more aligned with the Commercial segment. The Retail segment exclusively represents sales from our branded retail network.

3. **Supply, Corporate and Overhead Costs -** All applicable SCO costs have been allocated into operating segments with the residual "Corporate" segment reflecting certain head office functions and commonly used resources that are not considered appropriate to be allocated to the Group's reportable segments.

4. **FX & Derivatives** - Revaluation gain / (loss) on FX and oil derivatives will be reported between NPAT (RC) and NPAT (HC). Underlying NPAT (RC) now aligns with previous Distributable NPAT (RC).

Operating and financial review (continued)

2021 Business Performance Summary (continued)

Summary Statement of Profit and Loss

	(A$M)	31 December 2021			31 December 2020			Variance
		Group	RFM [1]	Refining	Group	RFM [1]	Refining	
	Revenue	15,900.0	15,900.0	-	12,409.9	12,409.9	-	3,490.1
	Cost of goods sold (RC)	(14,274.0)	(14,559.3)	285.3	(11,082.9)	(11,136.7)	53.8	(3,191.1)
	Gross Profit (RC)	**1,626.0**	**1,340.7**	**285.3**	**1,327.0**	**1,273.2**	**53.8**	**299.0**
	Retail, Fuels & Marketing							
	Retail	*747.6*	*747.6*	-	*760.8*	*760.8*	-	*(13.2)*
	Commercial	*593.1*	*593.1*	-	*512.4*	*512.4*	-	*80.7*
	Refining	*285.3*	-	*285.3*	*53.8*	-	*53.8*	*231.5*
	Corporate	-	-	-	-	-	-	-
1.	**Total EBITDA (RC)**	**484.2**	**392.8**	**91.4**	**244.6**	**382.2**	**(137.6)**	**239.6**
	Retail, Fuels & Marketing							
	Retail	*187.5*	*187.5*	-	*235.4*	*235.4*	-	*(47.9)*
	Commercial	*217.3*	*217.3*	-	*156.4*	*156.4*	-	*60.9*
	Refining	*103.4*	-	*103.4*	*(127.9)*	-	*(127.9)*	*231.3*
	Corporate	*(24.0)*	*(12.0)*	*(12.0)*	*(19.3)*	*(9.6)*	*(9.7)*	*(4.7)*
2.	Share of profit from associates	0.6	0.6	-	10.6	10.6	-	(10.0)
	Net loss on other disposal of assets	(0.4)	(0.4)	-	(1.9)	(1.9)	-	1.5
3.	Depreciation and amortisation	(176.1)	(112.8)	(63.3)	(175.5)	(100.8)	(74.7)	(0.6)
	Profit before interest and tax (RC)	**308.3**	**280.2**	**28.1**	**77.8**	**290.1**	**(212.3)**	**230.5**
4.	Net finance costs	(23.9)	(21.2)	(2.7)	(22.5)	(21.1)	(1.4)	(1.4)
	Profit before tax (RC)	**284.4**	**259.0**	**25.4**	**55.3**	**269.0**	**(213.7)**	**229.1**
5.	Income tax (expense)/benefit (RC)	(92.8)	(85.2)	(7.6)	(21.9)	(86.0)	64.1	(70.9)
6.	**Net Profit/(Loss) After Tax (RC)**	**191.6**	**173.8**	**17.8**	**33.4**	**183.0**	**(149.6)**	**158.2**
7.	Significant one-off items [3]	-	-	-	179.3	179.3	-	(179.3)
8.	Net inventory gain/(loss) [3]	88.6	79.6	9.0	(179.6)	(139.2)	(40.4)	268.2
9.	Revaluation gain on FX and oil derivatives [3]	11.3	5.7	5.6	1.7	0.9	0.8	9.6
10.	AASB 16 Lease impact [3]	(58.6)	(58.6)	-	(71.0)	(71.0)	-	12.4
	Net Profit/(loss) After Tax (HC)	**232.9**	**200.5**	**32.4**	**(36.2)**	**153.0**	**(189.2)**	**269.1**
	Statutory earnings per share (HC)	14.6			(1.9)			16.5
	Underlying earnings per share (RC)	12.0			1.8			10.2

[1] Retail, Fuels and Marketing (RFM).
[2] Prior year comparatives reflect the recently implemented reporting changes.
[3] Results are reported net of tax.

The table below provides a reconciliation by segment profit/(loss) before tax (RC) per the above summary statement of profit or loss, to profit/(loss) before tax (HC) in note 3 *Segment information* within the financial statements.

(A$M)	31 December 2021				31 December 2020			
	RFM	Refining	Corporate	Total Segments	RFM	Refining	Corporate	Total Segments
Profit/(loss) before tax (RC) as above	**259.0**	**25.4**	**-**	**284.4**	**268.9**	**(213.7)**	**-**	**55.2**
Adjusted for:								
Lease expense	296.2	0.1	3.9	300.2	270.9	0.1	3.8	274.8
Allocations	12.0	12.0	(24.0)	-	9.6	9.6	(19.2)	-
Interest income	(1.1)	(0.8)	1.9	-	(2.2)	(2.2)	4.4	-
Right-of-use amortisation	(215.8)	-	(2.8)	(218.6)	(210.6)	-	(2.7)	(213.3)
Lease interest expense	(162.6)	-	(2.7)	(165.3)	(160.3)	-	(2.7)	(163.0)
Revaluation gain on FX & Oil derivatives	8.1	8.0	-	16.1	1.3	1.2	-	2.5
Net inventory gain/(loss)	113.7	12.9	-	126.6	(198.9)	(57.7)	-	(256.6)
Significant items	-	-	-	-	-	-	113.9	113.9
Profit/(loss) before tax (HC) as per segment note	**309.5**	**57.6**	**(23.7)**	**343.4**	**(21.3)**	**(262.7)**	**97.5**	**(186.5)**

Operating and financial review (continued)

2021 Business Performance Summary (continued)

Summary Statement of Profit and Loss Analysis

1. EBITDA (RC)

Retail

Retail achieved strong sales volumes and market share gains, with growth achieved in the predominately regionally focused Liberty Convenience and Dealer Owned channels. Continued investment in the Alliance network with our partner, Coles, has maintained strong brand share and customer preference through this core convenience channel. In-store experience has been improved through the refreshment of 137 Coles Express stores over the last two years, and a further 130 stores will see investment during 2022.

The Alliance channel was affected by lockdowns in Victoria and New South Wales during Q3 2021, with weekly fuel sales averaging 55.6 million litres per week through 2021, a slight improvement on the 54.9 million litres per week achieved during 2020. As restrictions were eased during Q4 2021 sales volumes recovered to their highest levels in over 12 months, reaching 65ML across consecutive weeks during December. Diesel sales were particularly strong, reaching the highest level of sales in five years.

Premium petrol penetration improved during the year, increasing from 30% to 31%, while premium diesel penetration increased from 0.8% to 2.2%. The Company continues to invest in our premium brands and have taken steps to increase availability of premium fuel across all our Shell branded networks.

Retail profitability was lower due to rising oil price impacts on retail fuel margins. Margins are expected to recover as oil price stabilises and price increases flow through to the retail price boards. Higher fuel prices may impact demand and margin in the short term.

Commercial

The Commercial business achieved strong earnings uplift across most segments during FY2021, with total underlying EBITDA (RC) of $217.3M improving by $60.9M over FY2020. Actions taken during 2020 to reduce costs and strategically rebase businesses that were heavily impacted by the pandemic (particularly Aviation and Marine) underpin much of this earnings improvement, but the Company has also benefited from strong sales growth within our specialty businesses. Our exposure to a diverse range of segments provides multiple pathways for growth and this is a unique strength of our Commercial business.

The Commercial business is expected to benefit from continued economic recovery and further sales growth is expected following a recovery of Aviation and Marine cruise sectors. This will likely result in higher supply chain costs as servicing capacity are re-installed ahead of this increase in demand.

Refining

Geelong Refinery achieved crude intake of 41.2MBBLs with operational availability at 94.2% during 2021. Geelong Refining Margin (GRM) increased from US$3.1/BBL in FY2020 to US$7.1/BBL as a result due to increased production, lower crude premia, improved product yields, and strengthening refining margins, particularly during the final quarter of the year. Final Underlying EBITDA (RC) was $103.4M compared with a loss of ($127.9M) in the prior year.

During the year the Refinery received income of $53.0M under the Federal Government's Temporary Refining Production Payment (TRPP) ($40.6M) and Federal Security Services Payment (FSSP) ($12.4M) programs, and $2.5M in JobKeeper support. No payments were received for Q4 2021 due to improved refining margin conditions and a return to profitability. Refining margins in 2022 are expected to be influenced by the recovery in global oil demand and reduction in refinery capacity because of recently announced or completed refinery closures and capacity reductions. Crude premia in 2022 to date have continued to increase following higher global oil demand.

The Company completed major maintenance work that was previously deferred from 2020, and has commenced planning for investment necessary to produce ultra-low sulphur petrol by the end of 2024. The Company has received a grant of $33.3M from the Federal Government to construct an additional 90ML of diesel storage to meet minimum stockholding obligations and support the government's fuel security program and expects to commence construction in the 1H 2022.

The Company continues to advance a range of projects at our Energy Hub at Geelong, including the Gas Terminal project in Victoria, and other new energy projects including solar, and hydrogen re-fuelling offer aimed at heavy vehicles. These projects are expected to progress to Final Investment Decision (FID) during 2022.

Operating and financial review (continued)

2021 Business Performance Summary (continued)

Summary Statement of Profit and Loss Analysis (continued)

1. EBITDA (RC) (continued)

Corporate

Corporate costs relate to certain head office functions and commonly used resources that are not considered appropriate to be allocated to the Group's reportable segments. The increase year on year is reflective of the activity in relation to Group led new energy strategic work, increased incentives due to improved performance and increased activity as the business recommenced work deferred during 2020.

2. Share of profit from associates

Share of profit from associates represents the Group's 50% ownership of Liberty Oil Convenience's result for the year. The prior comparative period included eight months of the Group's share of Westside Petroleum's result (with August 2020 being the timing of the acquisition of the remaining share of Westside) and two months share of profit from Waypoint REIT with the Group selling its security holding in this investment at the end of February 2020.

3. Depreciation and Amortisation

Depreciation and amortisation includes $140.4M of depreciation on property, plant and equipment, $32.7M of amortisation expense on intangible assets and $3.0M on leases classified as finance leases prior to the introduction of AASB16 Leases. Total depreciation and amortisation of $176.1M is broadly in line with the prior comparative period.

4. Net finance costs

Net finance costs of $23.9M were $1.4M higher than the prior comparative period and consisted of interest income of $1.9M, interest expense on borrowings, amortised transaction costs and fees associated with trade finance instruments of $12.2M, finance costs associated with leases classified as finance leases prior to the adoption of AASB16 Lease of $8.0M and the unwinding of discount on balance sheet provisions of $5.6M.

The increase in net finance costs is due primarily to the Group holding the proceeds from the sale of the Waypoint REIT investment for most of FY2020, prior to the Group's capital management plans being undertaken.

5. Income tax expense

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

The income tax expense for the period is $92.8M (RC) and $110.5M (HC), representing effective tax rates of 32.6% and 32.2% respectively. The key driver of the effective tax rate exceeding the corporate tax rate is the non-deductibility of the amortisation of the $137.0M payment to Coles Express under the extended Alliance agreement in 2019.

6. Net Profit/(Loss) After Tax (RC)

The Net Profit After Tax (RC) of $191.6M represents a $158.2M increase year on year, driven primarily by improved refining conditions and assisted by the receipt of support under the Government's TRPP and FSSP schemes. Retail, fuels and marketing also contributed to the improvement with strong Commercial results compensating for the impact of COVID-19 on retail volumes.

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

The prior year significant item relates to the sale of the Group's 35.5% security holding in Waypoint REIT for an average of $2.66 per security.

8. Net inventory gain/(loss)

Net inventory gain/(loss) relates to the effect of movements in oil price and foreign exchange on inventory recorded at historical cost using the First In, First Out ('FIFO') principle of accounting. The gain of $88.6M (net of tax) reflects the increase in oil prices experienced during the year.

Operating and financial review (continued)

2021 Business Performance Summary (continued)

Summary Statement of Profit and Loss Analysis (continued)

9. Revaluation gain on FX and oil derivatives

Revaluation gain/(loss) on FX and oil derivatives is impacted by realised and unrealised foreign exchange and associated hedges, flat oil price hedges and refinery margin hedging. During the year a gain of $11.3M (tax effected) was recognised as a result of the impact of an increase in the Oil price in the first half of the year, offset by gains on FX hedges due to a decrease in the AUD/USD exchange rate in the second half of the year.

10. AASB16 Lease Impact

As detailed above (refer to "Reporting changes implemented in 2021" section), the EBITDA (RC) results include segment applicable lease expense to provide a full view of segment profitability. The line item AASB16 lease impact reflects the elimination of lease expense and the recognition of lease interest and right of use amortisation, to then report the results under a historical cost and AASB16 Lease basis.

Summary Statement of Financial Position

(A$M)		31 December 2021	31 December 2020	Variance
1.	Working capital	177.5	89.9	87.6
2.	Property, plant and equipment	1,518.8	1,478.1	40.7
3.	Right-of-use assets	2,184.8	2,321.5	(136.7)
4.	Intangible assets	621.5	646.7	(25.2)
5.	Investment in associates	16.0	15.4	0.6
6.	Net cash / (debt)	(95.2)	(104.2)	9.0
7.	Lease liability	(2,480.5)	(2,534.3)	53.8
8.	Long-term provisions, other assets and liabilities	(136.9)	(181.8)	44.9
9.	Net deferred tax asset	305.9	325.8	(19.9)
10.	**Total equity**	**2,111.9**	**2,057.1**	**54.8**

Summary Statement of Financial Position Analysis

1. Working capital

Working capital increased by $87.6M primarily as a result of an increase in average benchmark crude and refined product prices of A$45.2/BBL between December 2020 and December 2021.

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

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

Property, plant and equipment ("PPE") increased year-on-year due to a number of factors including the resumption of non-essential work deferred in the prior year due to the outbreak of COVID-19, undertaking additional tank replacements and tank reline work and the commencement of work on the Gas Terminal Project. Capital works were also undertaken during the year to enhance the Retail network, both in respect to site forecourts and the convenience stores.

The increase of $40.7M represents additions of $190.1M being capital expenditure of $185.1M, asset retirement obligation additions of $3.8M, land purchased for resale of $0.9M and business acquisitions of $0.3M. Also, leading to an increase in PPE is the impact of a change in the discount rate used to value asset retirement obligations of $0.2M. Offsetting these increases were depreciation of $140.4M, disposals of $7.6M, transfers including those of completed software projects to intangibles $1.6M. A breakdown of capital expenditure by segment is outlined below.

Operating and financial review (continued)

2021 Business Performance Summary (continued)

Summary Statement of Financial Position Analysis (continued)

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

(A$M)		FY2021	FY2020	Variance
a.	Retail, Fuels & Marketing	81.6	37.7	43.9
b.	Refining			
	Major Maintenance	36.2	92.3	(56.1)
	Gas Terminal Project	13.6	2.4	11.2
	New Energies	0.6	-	0.6
	Other Refining	53.1	25.0	28.1
	Capital Expenditure	**185.1**	**157.4**	**27.7**

a. Retail, Fuels & Marketing

Retail, Fuels and Marketing capital expenditure of $81.6M includes capital expenditure of $41.6M ($18.6M in FY2020) for new site branding, refreshing network convenience stores and forecourts together with tank replacements, tank relines and other asset integrity works. In addition, expenditure of $37.4M ($21.5M in FY2020) relates to expenditure to ensure the integrity of the Group's terminals and pipelines as well as depot works and branding of dealer owned sites within the Liberty Wholesale network ($2.6M). The year-on-year increase is reflective of focus on non-essential spend in the prior year combined with a renewed focus on improving the customer retail experience.

b. Refining

Major Maintenance

Major maintenance expenditure during the year of $36.2M relates primarily to activity on the Refinery's Hydrofluoric Acid Alkylation "HFA" plant which was deferred from 2020 and on the Bitumen Manufacturing plant.

Gas Terminal Project

Expenditure of $13.6M was incurred during the period advancing the Gas Terminal Project towards a final investment decision. It is anticipated that the FID will be made by the third quarter of 2022.

Other refining capital expenditure

Other refinery capital expenditure of $53.1M relates to on-going asset integrity and tank maintenance activity together with a range of projects including the replacement of equipment associated with the HFA major maintenance event and continued work on the refinery's control systems. Work also commenced on the low sulphur gasoline project and on the building of additional storage ahead of the Minimum Stockholding Obligations coming into effect from mid-2022.

3. Right-of-use assets

The right-of-use assets balance at year-end was $2,184.8M, a decrease of $136.7M from the prior comparative period. Impacting this balance during the year were lease extensions, new leases and the impact of lease payment escalations totalling $84.9M (net of the impact of terminations). Depreciation charges of $221.6M were recognised during the year.

4. Intangible assets

Intangible assets decreased by $25.2M during the year primarily due to amortisation charges of $32.7M offset in part by the recognition of Goodwill ($5.3M) in relation to small business acquisitions during the year. Also contributing to the year-on-year movement is the capitalisation of software projects ($2.2M).

5. Investment in Associates

This balance relates to the Group's 50% ownership of Liberty Convenience.

6. Net debt

Net debt relates to Viva Energy's Revolving Credit Facility (RCF) which is used as a working capital facility to fund fluctuations in working capital, net of cash at bank. Viva Energy does not hold any long term structural debt. Net debt decreased by $9.0M during the year.

Operating and financial review (continued)

2021 Business Performance Summary (continued)

Summary Statement of Financial Position Analysis (continued)

7. Lease liability

The lease liability balance at year-end was $2,480.5M, a decrease of $53.8M from the prior comparative period, with lease extensions, new leases and lease escalations of $83.9M more than offset by payments of lease principal totalling $137.7M made during the year.

8. Long term provisions, other assets and liabilities

The decrease in the net liability of $44.9M during the year primarily represents a decrease in net derivative liabilities ($17.6M), an increase in net defined superannuation benefit asset ($6.6M), the recognition of the Group's purchase of securities in Hyzon and Waga Energy ($9.2M) and the unwinding of the discounting on the long-term payable ($2.5M). Other long term receivables increased by $6.1M due to a reclassification from short term while other long term provisions decreased by $7.9M during the year, primarily due to a change in discount rate assumptions.

9. Net deferred tax asset

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

The movement in this balance during the year relates predominantly to the use of tax losses generated during the 2020 year to offset 2021 tax payable, combined with other typical movements in deferred tax due to origination or reversal of temporary differences between taxable income and profit during the year, along with movements posted directly to equity or other comprehensive income.

10. Total Equity

Total equity increased by $54.8M primarily due to the recognition of net profit after tax of $232.9M, partially offset by Capital Management activities undertaken during the year being a Capital Return of ($99.4M) and the Share Buy-Back program ($18.2M). Also impacting equity during the year was the payment of dividends totalling ($65.7M) and other transactions relating to the Group's Share Based incentive plans and the purchase of treasury shares.

Operating and financial review (continued)

2021 Business Performance Summary (continued)

Summary Statement of Cash Flows

	(A$M)	31 December 2021	31 December 2020	Variance
	Profit before interest, tax, depreciation and amortisation (HC) before significant	**927.3**	**273.9**	**653.4**
	(Increase)/decrease in Trade and other receivables	(502.3)	456.3	(958.6)
	(Increase)/ decrease in inventories	(480.8)	497.9	(978.7)
	(Increase)/decrease in Prepayments	(9.5)	9.0	(18.5)
	Increase/(decrease) in Trade and other payables	801.3	(859.6)	1,660.9
	Increase/(decrease) in provisions	10.3	(6.9)	17.2
1.	Changes in working capital	(181.0)	96.7	(277.7)
2.	Non-cash items in profit before interest, tax, depreciation and amortisation	2.8	5.5	(2.7)
	Repayment of lease liability	(137.7)	(124.8)	(12.9)
	Interest on capitalised leases	(173.3)	(171.0)	(2.3)
	Operating free cash flow before capital expenditure	**438.1**	**80.3**	**357.8**
	Payments for PP&E and intangibles	(185.1)	(158.5)	(26.6)
	Proceeds from sale of PP&E	5.1	15.0	(9.9)
	Net inflow/(outflow) for land developments	1.6	-	1.6
	Acquisition of investments	(15.8)	-	(15.8)
	Repayment of loan by associate	4.2	-	4.2
3.	Proceeds from sale of investments	-	730.1	(730.1)
4.	Payment for treasury shares (net of contributions)	(9.4)	(8.8)	(0.6)
5.	Share buy back	(18.0)	(50.3)	32.3
6.	Dividends received from associates	-	19.8	(19.8)
	Net free cash flow before financing, tax and dividends	**220.7**	**627.6**	**(406.9)**
	Finance costs	(8.9)	(6.6)	(2.3)
	Net cash consideration paid for step acquisition of associate	-	(1.0)	1.0
7.	Net Income tax (payments)/refund	(36.1)	11.8	(47.9)
	Net cash flow available for dividends and before borrowings	**175.7**	**631.8**	**(456.1)**
8.	Dividends paid	(65.7)	(180.5)	114.8
9.	Capital return	(99.6)	(414.4)	314.8
	Net drawings/(repayment) of borrowings	37.3	(107.2)	144.5
	Net cash flow	**47.7**	**(70.3)**	**118.0**
	Opening net debt	**(104.2)**	**(137.4)**	**33.2**
	Net debt acquired - Westside Petroleum	-	**(2.2)**	**2.2**
	Amortisation of borrowing costs	(1.4)	(1.4)	-
	Reclassification of borrowing costs	-	(0.1)	0.1
	Closing net debt	**(95.2)**	**(104.2)**	**9.0**
	Change in net debt	**10.4**	**36.9**	**(26.5)**

Operating and financial review (continued)

2021 Business Performance Summary (continued)

Summary Statement of Cash Flows analysis

1. Changes in working capital

Inventory increased primarily as a result of an increase in average benchmark crude and refined product prices of A$45.2/BBL, with further increases a result of higher closing stock levels.

2. Non-cash items

Profit before interest, tax, depreciation and amortisation (HC) before significant items includes certain non-cash items, comprising share of profit in associates of $0.6M, unrealised gains on foreign exchange and derivatives of $3.3M, offset by transactions relating to employee share based payments of $6.9M and other minor amounts.

3. Proceeds from sale of investments

In the prior period, the Group sold its 35.5% security holding (276,060,625 stapled securities) in Viva Energy REIT (now called Waypoint REIT) for an average of $2.66 per security.

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

During the year 4,269,221 shares were purchased at an average price of $2.20 per share ($9.4M).

5. Share buy back

During the year the Company continued with the buy-back arrangements as announced on 24 August 2021 and purchased 7,924,716 shares on-market at an average price of $2.27.

6. Dividends received from associates

In the prior period, the Group received payment of the Waypoint REIT 2019 final dividend prior to the sale of its investment in the company.

7. Net Income tax payments / refund

The net income tax payments of $36.1M for the year represents a $23.7M tax refund received post-lodgement of the Group's 2020 financial year income tax return (whereby instalments paid during the prior year exceeded the Group's final tax liability), tax instalments of $54.6M paid by the Group in the current year to the ATO, and tax payments of $5.2M by the Group on behalf of its Singapore tax resident entity (Viva Energy S.G. Pte Ltd) to the Singapore tax authority.

8. Dividends paid

On 23 September 2021 the Company paid a fully-franked interim dividend of 4.1 cents in relation to the six months ended 30 June 2021 ($65.9M). Of this payment, $0.2M related to the Group's treasury shareholding at the time of payment.

9. Capital return

On 24 October 2021, the Company returned $99.7 million to shareholders by way of a capital return of 6.2 cents per share as part of the Group's capital management program. Of this payment, $0.3M related to the Group's treasury share holding at the time of payment. Transaction costs of $0.2M were incurred.

Operating and financial review (continued)

Risk Management

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

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

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

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

We identify:

- Those risks, being operational, financial and regulatory that have the capability of impacting achievement of the Group's strategy and goals (Strategic Risks).

- Those risks that have the capability to cause harm to people, the environment, assets or our reputation as a result of Viva Energy undertaking its operations (Health, Safety, Security and Environment (HSSE) risks).

Some risks are both Strategic and HSSE in nature.

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

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

Operating and financial review (continued)

Risk Management (continued)

Strategic Risk	Our Response
Commodity price exposure	
Viva Energy is exposed to the risk of movements in global hydrocarbon pricing, particularly in respect of the refining margin earned by the Geelong Refinery. Fluctuation in the refinery margin can impact TSR.	• We manage commodity price exposure through active monitoring of commodity price exposure, hedging and the purchase or sale of swap contracts up to 24 months forward. • Federal Government Fuel Security Services Payment (FSSP) will provide financial support in low refining margin environment during the applicable commitment period.
Operational and supply chain risks	
Our operations and supply chain can be disrupted by events such as extreme weather, accidents, breakdown or failure of infrastructure, interruption of power supply, and off-shore supply impacts. Disruption to any part of Viva Energy's supply chain could impact our operations and TSR. The Geelong Refinery may be disrupted by mechanical failures, equipment shutdowns, major accidents and other events that disrupt operations. Any such event may have a material adverse impact on refining capacity and revenues. The continuing threat of further outbreaks from the COVID-19 pandemic may have a material impact on operations or financial results should government imposed restrictions cause a decline in demand for our products, or affect the credit position of our customers (amongst other matters). ExxonMobil completed the closure of its Altona refinery in August 2021. LyondellBasell Australia operates a polypropylene manufacturing plant (the 'LBA Plant') that is adjacent and connected to the Geelong Refinery. The LBA Plant takes product generated from refining activities at the Geelong Refinery and (prior to its closure) the Altona refinery and uses such product as feedstock to its own plant. With the closure of the Altona refinery, operations at the LBA Plant may be impacted, which may in turn have an adverse impact on the operations of the Geelong Refinery.	<u>Supply chain</u> • We maintain minimum stock levels. • We conduct due diligence assessments on shipping and road transport providers. • We also manage this risk through alternative supply options. • We maintain insurance coverage for major events and supply interruptions. <u>Refinery</u> • The Geelong Refinery has a proactive monitoring, inspection and preventative maintenance program to manage the risk of HSSE incidents and unplanned plant outages. • In line with better practice and industry standards, unit turnarounds are undertaken every four to six years. • The business has emergency and crisis management plans in place and regularly undertakes simulated response exercises to test the effectiveness of these plans. These exercises often include the relevant community and emergency response authorities. • We invest in utility infrastructure to minimise the impact of disruptions to externally provided resources such as gas, electricity or water. • We maintain sufficient finished product stock levels to ensure adequate buffer to cover typical potential unplanned outages. • To address the risk of COVID-19 directly impacting our ability to operate the refinery, various measures were put in place to reduce/limit the impact of COVID-19 infiltrating the workplace, for example minimising the number of staff on site and reducing interactions between workgroups, the use of temperature checks, and implementing vaccination and rapid antigen testing programs. • We continue to monitor and vet international shipping and procurement activities, and provide regular updates to all employees, including current advice from the Department of Health. • We continue to work with LBA on the implications of the closure of the Altona Refinery and assessing mitigating options to address the risk for the Geelong Refinery.

Operating and financial review (continued)

Risk Management (continued)

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

Operating and financial review (continued)

Risk Management (continued)

Strategic Risk	Our Response
Climate change	
Climate change risk has both transitional and physical elements. Transitional risk is the risk flowing from a transition to a lower-carbon economy that may affect the Group's business model in the future. Physical risk is the risk flowing from acute events or chronic longer-term shifts in climate patterns resulting from climate change that may require mitigation and adaptation actions. The risk to our business includes: • decline in demand for our products due to government policy, technology or market changes in response to climate change (including shifts in consumer preferences); • increased operating costs arising from regulatory responses to reduce greenhouse gas emissions (such as a price on carbon); • increased exposure to legal action as stakeholder scrutiny of emissions intensive industries grows; • increased reputational impacts affecting our ability to attract investment and talent; and • physical impacts on our assets and supply chains from increased frequency and severity of extreme weather and rising sea level events.	• We seek to understand our performance in a range of future demand scenarios, including by assessing the potential impacts of transitional risks on the performance of our business units. • We have adopted the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) as a framework for our climate risk assessment and disclosures. • We actively monitor industry forecasts and technological developments to understand where the industry and energy markets are heading. • Our strategy focuses on our core business, as well as pursuing new sustainability strategic opportunities that we see developing in the low-carbon energy transition, such as our vision for the Geelong Energy Hub. • We are incorporating climate-related issues into our financial planning process by adopting shadow carbon prices to be applied in our investment evaluation and capital allocation process. • We consider physical climate risks when developing significant projects such as the Gas Terminal Project. • We monitor and report on our carbon footprint, and have announced our commitment to operational emissions reduction targets, including "net zero by 2050". • We are a member of energy forums, industry groups and peak advocacy bodies and see value in joint industry action on climate change in order to promote sustainable industry development. • We also monitor potential regulatory change and participate in consultation processes either directly or through industry associations to shape policy in the area of climate change, and we maintain a policy dialogue with all levels of government on climate change issues.
Liquidity and financing	
Viva Energy has substantial working capital requirements due to the need to purchase large shipments of crude oil and refined products. We rely on banks and supply and trade financing arrangements to provide working capital funding. Adverse changes in our relationship with providers of funding or in financial markets, which reduce our access to, or increase the cost of, funding, could adversely impact our financial position.	• Our treasury function operates within a fit for purpose Board- approved Treasury Policy. The Policy requires maintenance of sufficient cash reserves and ensures robust reporting of our cash position to management and the Board. • We have access to working capital funding sources through a syndicated financing facility and a range of trade finance facilities. • Our credit risk management function ensures credit is provided within our desired risk parameters. • We actively monitor cash flow through the proactive management of accounts receivable and accounts payable, and we have insurance cover in the event of a major incident to supplement loss of income (cash receipts). • Federal Government Fuel Security Services Payment (FSSP) will assist to maintain sufficient liquidity during the applicable commitment period.

Operating and financial review (continued)

Risk Management (continued)

Strategic Risk	Our Response
Refining margin exposure	
The Geelong Refining Margin (GRM) is based on the difference between the value of the refined products that the Geelong Refinery produces and the cost of the crude oil and feedstock it consumes to do so. Refining margins are affected by a range of factors including a decline in regional demand for refined products, increased refining capacity, international freight costs and exchange rate fluctuations. A low GRM can materially impact earnings of the Geelong Refinery.	• We undertake regular assessment of the economic viability of maintaining refining activities. This includes rigorous economic justification for capital projects and Turnarounds as well as the ability to shut down unprofitable individual processing units, logical groups of units or the complete refinery. • We utilise dynamic inventory planning to optimise refining margin performance. • We have programs to improve operational availability and reliability. • We have in place a fit for purpose refinery margin hedging policy. • Federal Government Fuel Security Services Payment (FSSP) will provide financial support in low refining margin environment during the applicable commitment period. • Refining margin movements as a result of regional market forces are inherent in the refining business and the activities outlined above are not designed to completely eliminate this exposure.
Exchange rate	
Viva Energy purchases crude oil, feedstock and finished products in US dollars and sells its products predominantly in Australian dollars. Fluctuations in the AUD/USD exchange rate may negatively impact our earnings and cash flow.	• We operate a hedging program that is designed to manage the impact of exchange rate fluctuations.
Credit risk	
Credit risk is the risk that a customer or counterparty fails to meet its contractual payment obligations. Such a default could impact our revenue and cash flow.	• We undertake credit risk assessments on customers. • We establish credit limits. • We manage exposure to individual entities. • We have insurance cover in place in the event of major incidents to supplement loss of income (cash receipts).

Operating and financial review (continued)

Risk Management (continued)

Strategic Risk	Our Response
Material decline in demand for our products	
A number of external factors, including a decline in economic activity, the entry of new competitors into the business segments in which we operate, a change in government policies/regulation, shifts in consumer preferences and changes in technology, have the potential to negatively impact demand for our products. The COVID-19 pandemic highlights the risk that further outbreaks could have an impact on demand for our product, particularly if there is a significant and prolonged period of reduced travel and other related changes in consumer mobility behaviour. If there is a significant decline in demand for our products, this could materially impact TSR.	• We operate in a range of business segments and with a range of product offerings. • We seek to understand our performance in a range of future demand scenarios. • We actively monitor industry forecasts and technological developments to understand where the industry and energy markets are heading. • Our strategy is to optimise performance of our core business as well as to identify new adjacent areas for growth and new opportunities in the energy sector, such as Electric Vehicles, Hydrogen, Bio Fuels and other alternative fuels.
Labour costs, labour availability and industrial disputes	
Viva Energy's operations are affected by availability and costs of labour and the health of our working relationships with employees and labour unions. A major dispute with one or more unions representing our (or our major contractors') employees could disrupt operations at one or more of our facilities and materially impact TSR. Similarly, a material increase in the cost of labour could impact production costs and profit margin. The COVID-19 pandemic has limited the labour market by restricting skilled labour from entering the Australian market, compounded by less movement domestically. With only two remaining refineries in Australia, the pool of experienced skilled labour for the refining business is decreasing.	• We proactively manage the relationship with our employees. • We have in place employee agreements. • We conduct regular benchmarking to ensure that wages and other benefits offered to employees remain competitive. • In the event that a risk of employee or third party industrial activity is heightened, we develop contingency plans to mitigate potential impacts on our operations.
Cyber Security	
A cyber security breach by an external attacker or trusted insider could cause operational, reputational or financial damage or loss to Viva Energy. COVID-19 restrictions have continued the need for an increased number of people working remotely and connecting to our environment.	• Viva Energy has a range of user access controls that restricts and contains the ability for a user to have wide-ranging access. • We have robust user education and training as the frontline defence mechanism to phishing and malware attacks. • We operate a third party Security Operations Centre which monitors and analyses Viva Energy's security posture. • We utilise extensive technology based controls and undertake independent technology controls testing and validation. • Viva Energy engages with agencies/bodies that monitor and provide intelligence to companies regarding cyber threats. These include the Critical Infrastructure Centre, the Australian Security Intelligence Organisation – Business & Government Liaison Unit and the Australian Cyber Security Centre.

Board of Directors

Robert Hill

Independent Non-Executive Director and Chairman

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

Term of office

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

Skills and experience

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

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

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

Board Committee memberships

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

Scott Wyatt

Chief Executive Officer and Managing Director

BCA

Term of office

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

Skills and experience

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

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

Scott is a director of the Australian Institute of Petroleum and is a former Board member of Viva Energy REIT (now Waypoint REIT) (2016 to 2019).

Board Committee memberships

- Member of the Strategy and Investment Committee

Board of Directors (continued)

Arnoud De Meyer

Independent Non-Executive Director

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

Term of office

Appointed to the Board on 18 June 2018.

Skills and experience

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

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

Board Committee memberships

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

Sarah Ryan

Independent Non-Executive Director

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

Term of office

Appointed to the Board on 18 June 2018.

Skills and experience

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

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

Sarah is currently a Non-Executive Director of Woodside Petroleum Limited (since 2012), Aurizon Holdings Limited (since 2019), OZ Minerals Limited (since 2021) and MPC Kinetic Pty Ltd (since 2016). She is a former director of Akastor ASA (2014 to 2021), Central Petroleum Limited (2017 to 2018) and Aker Solutions ASA (2010 to 2014). Sarah is also a member of the ASIC Corporate Governance Consultative Panel.

Board Committee memberships

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

Board of Directors (continued)

Nicola Wakefield Evans

Independent Non-Executive Director

BJuris/BLaw, FAICD

Term of office

Appointed to the Board on 3 August 2021.

Skills and experience

Nicola Wakefield Evans is a highly experienced director with board ranging commercial, strategy and corporate finance legal experience gained over a 30 year international career, including 20 years as a partner of King & Wood Mallesons. During her time at King & Wood Mallesons, Nicola held a variety of senior management positions with responsibility for development and growth of the international practice and the Hong Kong, China and London offices of King & Wood Mallesons. Nicola's key areas of industry experience include resource and energy, infrastructure, financial services and technology.

Nicola is currently a Non-Executive Director of two ASX listed companies, Macquarie Group and Lendlease Corporation, and also serves on the board of MetLife Australia.

Nicola is also the Chair of 30% Club Australia, member of the Takeovers Panel, and member of the boards of the Clean Energy Finance Corporation, Australian Institute of Company Directors, the Goodes O'Loughlin Foundation and the University of New South Wales Foundation.

Nicola holds a Bachelor of Jurisprudence and a Bachelor of Laws from the University of New South Wales.

Board Committee memberships

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

Dat Duong

Non-Executive Director

BBA, CFA

Term of office

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

Skills and experience

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

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

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

Dat commenced his career at Esso Imperial Oil in Canada as a business analyst. He is currently a director of VG Mobility (UK) Advisers Limited.

Board Committee memberships

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

Board of Directors (continued)

Michael Muller

Non-Executive Director

BA (Econ.Geography)

Term of office

Appointed to the Board on 1 October 2020.

Skills and experience

Mike Muller joined Vitol in 2018 and is currently the Head of Vitol Asia Pte Ltd and a member of the Vitol Group Board of Directors.

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

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

Board Committee memberships

- Member of the Sustainability Committee
- Member of the Strategy and Investment Committee

Jane McAloon

Former Independent Non-Executive Director

BEc(Hons), LLB, GDip CorpGov, FAICD

Term of office

Appointed to the Board on 18 June 2018, resigned with effect on 25 August 2021.

Skills and experience

Jane McAloon served as a non-executive director on the Board, as Chair of the Sustainability Committee and a member of the Audit and Risk Committee and Strategy and Investment Committee until her resignation, effective 25 August 2021.

Jane was an executive at BHP Billiton and AGL and had held positions in government in energy, rail and natural resources as well as being a Non-Executive Director of several listed and unlisted companies.

Executive Leadership team

Scott Wyatt – Chief Executive Officer

Jevan Bouzo – Chief Operating and Financial Officer

Dale Cooper – Executive General Manager, Refining

Amanda Fleming – Chief People and Technology Officer

Megan Foster – Executive General Manager, Consumer

Lachlan Pfeiffer – Chief Business Development and Sustainability Officer

Denis Urtizberea – Executive General Manager, Commercial

There were changes in our Executive Leadership Team during the year. Jevan Bouzo was appointed to an expanded role of Chief Operating and Financial Officer, assuming responsibility for supply chain operations in addition to his Chief Financial Officer accountabilities. This brought together finance and operations to help drive stronger financial and commercial focus across our Supply, Corporate and Overheads segments. Jevan succeeded Thys Heyns in the Chief Operating Officer role. Thys left the Company on 31 March 2021, having made the decision to retire after six years of service to the Company.

Lachlan Pfeiffer was appointed to an expanded role of Chief Business Development and Sustainability Officer. In this role he continues to be responsible for assurance functions which support good governance, and now combines this with leading the broader business development opportunities, and the communication of our sustainability strategy and associated initiatives.

Remuneration report

Letter from the Remuneration and Nomination Committee Chair – Robert Hill

Dear Shareholders,

On behalf of the Board, I am pleased to present Viva Energy's 2021 Remuneration report.

Our performance

During 2021 the pandemic continued to dominate the macro environment. Sales in our largest Victoria and New South Wales markets and Aviation sectors were particularly impacted by extended lockdowns and border closures, with uncertain demand putting pressure on our operations and supply chains. We have maintained a strong focus on health and wellbeing and ensuring that we operate safely and reliably to serve our customers and the broader community through this period.

Strong operational performance, underlying sales growth and cost management have supported a very strong financial performance across all businesses. For 2021, we reported an Underlying Group EBITDA (RC) of $484.2M, which is an improvement of 98% on the 2020 result and 23% on pre-pandemic performance reported for 2019.

During 2021, management also made strong progress on many key strategic priorities, including working with the Federal Government to successfully finalise the fuel security package which has transformed the long term outlook for the refining business, progress the Geelong Gas Terminal project through FEED, completing the return of a further $100M to shareholders from the Waypoint REIT divestment and laying down commitments and plans to reduce the Company's carbon emissions.

The Board is very pleased with the performance of the management team in 2021 and the tangible results delivered for our shareholders.

2021 Remuneration Outcomes

Taking account of the strong operational and financial performance, and success against key strategic priorities in the face of challenging conditions, the Board has awarded 86.3% of the maximum STI to executive KMP for performance in 2021.

The 2019-2021 LTI, which comprises performance conditions relative Total Shareholder Return (rTSR) (50%), Return on Capital Employed (ROCE) (25%) and cumulative Free Cash Flow (FCF) (25%), reached the end of its three-year performance period on 31 December 2021.

While the ROCE condition was not met, the Board determined the FCF condition was met at stretch ($967M normalised FCF over the performance period) and rTSR performance condition at threshold (26.86% TSR delivered over the performance period) resulting in a final LTI outcome approved by the Board of 50% of maximum opportunity.

Further detail on the STI and LTI plans, and the Board's assessment of outcomes for 2021, are set out in sections 1.1 and 5 of the remuneration report.

Looking ahead – 2022 remuneration

The Board completed a review of the fixed and variable remuneration arrangements for our Executive KMP in early 2022.

Since listing on ASX in 2018, the Board has disclosed its intention to review the competitiveness of the CEO's remuneration package to ensure that he is properly remunerated for the value he delivers to the Company and continues to be engaged and retained. In last year's Remuneration Report, the Board disclosed that it would address the CEO's remuneration re-alignment in a staged approach with the first stage disclosed and implemented in FY21 with an increase to his TFR effected through a combination of cash and Restricted Stock Units (RSUs) that are subject to a further combined 2 year service and deferral period. In accordance with that stated intention, the Board will make a second and final adjustment to the CEO's remuneration in 2022.

The Board has also approved some modifications to our 2022 LTI to better align performance measures with the Company's long term strategic objectives.

While these changes do not form part of the remuneration arrangements for 2021, in the interests of transparency, the Board has provided information on these and other changes in section 10 for shareholders to consider.

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

Yours faithfully,

Robert Hill.

Robert Hill

Remuneration report (continued)

Remuneration report – contents

Remuneration report (continued)

1. 2021 at a glance

This section provides a high-level summary of the remuneration outcomes for 2021 for the Executive Key Management Personnel (**KMP**). Further detail is provided in the remaining sections of this report.

Highlights and Outcomes

- Continued effective response to the pandemic and rising levels of infection in the community, with the business operating safely and reliably throughout the year, without disruption to customers;
- Increased Retail market share by 2% across all retail channels, and continued refreshment of the Coles Express network together with our partner Coles;
- Earnings growth in Commercial despite continued impact from border closures on Aviation and Marine segments;
- Refining segment returned to profitability during quarter four supported by improvements in regional refining margins and strong production performance;
- Delivered Underlying Group EBITDA (RC) of $484.2M, an improvement of 98% on the 2020 result and an improvement of 23% on pre-pandemic performance reported for 2019;
- Returned a further $100M to shareholders from the Waypoint REIT divestment via a capital return and a further $18M via an on-market buy back;
- Worked with the Federal Government to successfully finalise the fuel security package which has transformed the outlook for the refining business. Secured Federal Government funding for construction of Diesel storage at Geelong;
- Made strong progress on the Geelong Gas Terminal project and entered into an expanded partner group with substantial international experience in LNG regasification terminals. Further, the Company has completed FEED, signed a Head of Agreement (HOA) to charter an FSRU and made substantial progress on the EES;
- Set out commitments to reduce the Company's carbon emissions and announced net zero ambition. Signed MOU with WAGA Energy for renewable natural gas recovery from landfill, launched carbon neutral Jet Fuel, and is progressing feasibility for construction of a Hydrogen production and refuelling facility at the Geelong Energy Hub, supported by possible behind the meter solar farm;
- The Executive KMP earned 86.3% of the maximum STI, reflecting the very strong result delivered in 2021 and significant progress on key strategic priorities;
- The Executive KMP earned 50% of the 2019-2021 LTI with the Board determining the FCF condition was met at stretch ($967M normalised FCF over the performance period) and rTSR performance condition at threshold (26.86% TSR delivered over the performance period). The ROCE condition was not met and this portion of the award lapsed.

Remuneration report (continued)

1. 2021 at a glance (continued)

The final outcomes approved by the Board are shown below.

2021 STI outcome

EXECUTIVE KMP	STI OUTCOME (% OF MAXIMUM OPPORTUNITY)	TOTAL STI AWARD	STI AWARD PROVIDED IN CASH	STI AWARD PROVIDED IN SHARE RIGHTS[1]
Scott Wyatt	86.3%	$1,324,490	$662,245	$662,245
Jevan Bouzo	86.3%	$690,000	$345,000	$345,000

1. Share Rights (to be granted in March 2022) will vest into shares in two equal tranches, on 1 January 2023 and 1 January 2024, subject to conditions as set out in section 4.2. The number of Share Rights granted to each Executive KMP is determined by dividing the dollar value of the STI award to be provided in Share Rights by $2.0311, being the weighted average share price of the Company's shares over the performance period 1 January 2021 to 31 December 2021.

2019-2021 LTI outcome

	NUMBER OF 2019 PR GRANTED	% OF 2019 PR VESTED	NUMBER OF 2019 PR VESTED	VALUE OF 2019[1] PR VESTED	NUMBER OF 2019 PR LAPSED	% OF 2019 PR LAPSED
Executive KMP						
Scott Wyatt	541,198	50%	270,599	$673,792	270,599	50%
Jevan Bouzo	270,599	50%	135,299	$336,895	135,300	50%
Former Executive KMP						
Thys Heyns[2]	270,599	-	-	-	270,599	100%

1 Calculated based on share price of $2.49, being the closing share price on the date of vesting on 20 February 2022.
2 Unvested 2019 PR held by Thys Heyns lapsed upon his retirement from the Company on 31 March 2021.

Remuneration report (continued)

2. Overview

2.1. Introduction

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

The Company is required to prepare a remuneration report in respect of KMP, being those people that have responsibility and authority for planning, directing and controlling the activities of Viva Energy, either directly or indirectly. In 2021, the KMP were the Non-Executive Directors and designated executives.

2.2. Details of KMP

The following individuals were KMP of the Company in 2021.

NAME	TITLE	TERM AS KMP
Non-Executive Directors		
Robert Hill	Chairman and Independent Non-Executive Director	18 June 2018 – current
Arnoud De Meyer	Independent Non-Executive Director	18 June 2018 – current
Dat Duong	Non-Executive Director	7 June 2018 – current
Michael Muller	Non-Executive Director	1 October 2020 – current
Sarah Ryan	Independent Non-Executive Director	18 June 2018 – current
Nicola Wakefield Evans	Independent Non-Executive Director	3 August 2021 – current
Former Non-Executive Directors		
Jane McAloon	Independent Non-Executive Director	18 June 2018 – 24 August 2021
Executive KMP		
Scott Wyatt	Chief Executive Officer and Managing Director	7 June 2018 – current
Jevan Bouzo	Chief Operating and Financial Officer (acted as Chief Financial Officer until taking on the expanded role of Chief Operating and Financial Officer on 1 March 2021)	7 June 2018 – current
Former Executive KMP		
Thys Heyns	Chief Operating Officer	1 June 2020 – 31 March 2021

Remuneration report (continued)

3. Executive remuneration – overview

3.1. Executive remuneration objectives

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

- drive sustainable value creation for our shareholders;
- drive appropriate behaviours and culture;
- attract and retain high-calibre talent; and
- ensure remuneration is well understood and transparent.

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

3.2. 2021 Executive Remuneration Framework – overview

The 2021 executive remuneration framework is summarised below.

	FIXED ELEMENTS	VARIABLE ELEMENTS		
	Total Fixed Remuneration (TFR)	**Short-term incentive (STI)**		**Long-term incentive (LTI)**
How it is delivered	Cash (for the CEO, the 2021 TFR was delivered through a combination of cash and Restricted Stock Units (RSUs) that are subject to a combined 2 year service and deferral period)	Cash	Equity (Share Rights)	Equity (Performance Rights)
How it works	Base salary and superannuation	50% paid in cash	50% deferred into Share Rights, which vest into shares in two equal tranches 12 and 24 months after the grant	Performance Rights are allocated at face value at the beginning of the three-year performance period. Subject to performance conditions being met, some or all of the Performance Rights may vest into shares
What it does	Enables Viva Energy to motivate, engage and retain the calibre of executives that can execute the Company's strategy and continue to deliver value to shareholders	Rewards execution on annual performance against a balanced scorecard of performance measures focused on financial (60%), individual personal objectives aligned with the Company's strategic goals (30%) and safety, environment and people outcomes (10%) STI Deferral creates further alignment with shareholders and acts as a retention instrument		Drives the delivery of Viva Energy's long-term objectives in a sustainable manner, provides alignment with the interests of shareholders and encourages long-term value creation Vesting of the Performance Rights is conditional on achieving against a scorecard of performance conditions over a three-year performance period, focused on relative Total Shareholder Return (50%), Free Cash Flow per share (25%) and Return on Capital Employed (25%)

Prior to the Company's listing on the ASX in 2018, the previous owners put in place an incentive plan referred to in this report as the Legacy LTI. The program previously acted to motivate executives to transform and grow the value of the business through to a potential exit event (such as listing on the ASX). The last of the Legacy LTI tranches of options vested for the Chief Executive Officer (CEO) and Chief Operating and Financial Officer (COFO) in January 2020 and January 2022 respectively and they no longer hold any Legacy LTI options. No further grants will be made under the Legacy LTI.

Remuneration report (continued)

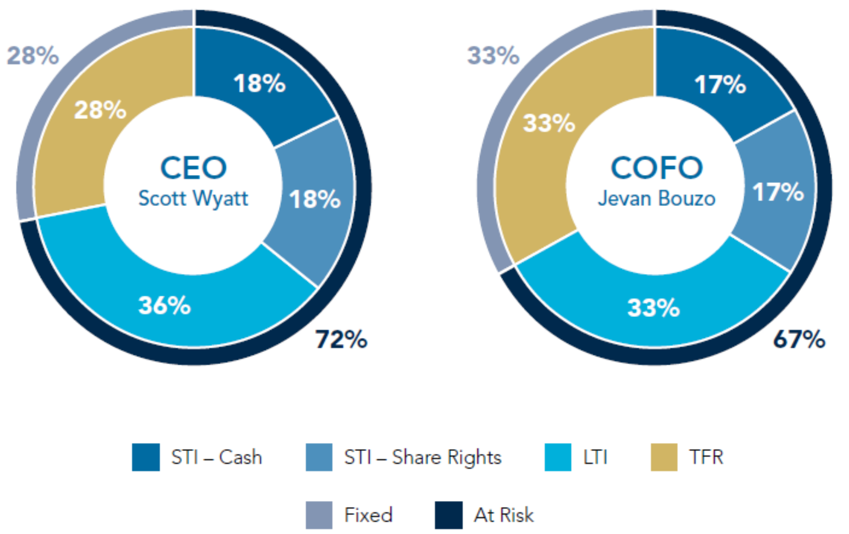
3. Executive remuneration – overview (continued)

3.3. Minimum Shareholding Policy

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

3.4. 2021 Executive Remuneration mix

The weighting of each remuneration component of an executive's total remuneration opportunity in 2021 was aligned to the objectives of the executive remuneration framework outlined in section 3.1, in particular driving sustainable value for the Company. The following diagrams[1] set out the weighting of each remuneration component for the CEO and COFO based on their maximum potential STI and LTI opportunities and does not represent actual remuneration received for 2021.



1. For the CEO, the 2021 TFR was delivered through a combination of cash and Restricted Stock Units (RSUs) that are subject to a combined 2 year service and deferral period.

2. Thys Heyns held the position of COO until he retired from the Company on 31 March 2021. Under the terms of his resignation, Mr Heyns was not eligible to participate in the 2021 STI and 2021 LTI.

3.5. Executive Remuneration delivery timeline – 2021 awards

* Applicable only for the CEO.

Remuneration report (continued)

4. 2021 Executive remuneration framework – in more detail

The components of the 2021 executive remuneration framework are explained in detail below.

4.1. Total Fixed Remuneration (TFR)

TFR is comprised of base salary and superannuation. For the CEO, the 2021 TFR was delivered through a combination of cash and Restricted Stock Units (RSUs) that are subject to a combined 2 year service and deferral period.

4.2. 2021 Short Term Incentive (STI)

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

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

Further information about the 2021 STI Plan is set out below. Please refer to section 5.2.1 for STI performance outcomes for 2021.

Opportunity

CEO (Scott Wyatt)	COFO (Jevan Bouzo)
• Target: 67% of TFR	• Target: 50% of TFR
• Maximum: 134% of TFR	• Maximum: 100% of TFR

Performance period

Performance was assessed over a 12-month performance period from 1 January 2021 to 31 December 2021

Performance measures

For 2021, the following performance measures and weightings applied to the Executive KMP.

Category	Measure	Weighting
Financial	• Underlying Group EBITDA (RC)	60%
Personal objectives	• A mix of individual and group objectives	30%
Safety, environment & people	• TRIFR (Total Recordable Injuries/ Frequency Rate)[1] • API Tier 1 and 2 incidents[1] • LOPCs > 100kg[2] • Medium / High PQ incidents[3] • Employee engagement • Representation of women • Women in management and leadership	10%
Total		100%

2021 target and maximum opportunity

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

1. TRIFR and API Tier 1 and 2 measures are industry standard safety performance metrics that reflect personal safety and process safety performance (respectively).
2. Loss of Primary Containment. This measures the incidents resulting in the uncontrolled or unplanned release of material from a process or storage that serves as primary containment.
3. Product quality incidents that have a medium or high consequence risk rating measured against Viva Energy's Risk Assessment Matrix.

Remuneration report (continued)

4. 2021 Executive remuneration framework – in more detail (continued)

4.2. 2021 Short Term Incentive (STI) (continued)

Governance and approval process	The CEO's STI outcome was recommended by the RNC based on his performance, and any other relevant considerations, and was approved by the Board. The STI outcome for the COFO was recommended by the CEO to the RNC based on the executive's performance and any other relevant considerations, and was approved by the Board. The Board had the ability to apply discretion in determining the STI outcomes to ensure they were appropriate.
Delivery	STI is provided as a mix of cash and deferred equity as follows: • 50% in cash; and • 50% in Share Rights, with 50% of those Share Rights eligible to vest on 1 January 2023 and the other 50% eligible to vest on 1 January 2024. A Share Right entitles the participant to receive one ordinary share for nil consideration if the Share Right vests.
Voting and dividends entitlements	Unvested Share Rights do not carry dividend or voting rights. For each Share Right that vests, the participant will receive a cash payment equivalent to the dividends paid by the Company on a share during the period between 1 January 2022 and the relevant vesting date.
Restrictions on dealing	Holders of Share Rights must not sell, transfer, encumber or otherwise deal with Share Rights unless the Board allows it or the dealing is required by law. Additionally, in no circumstances will a holder of Share Rights be able to hedge or otherwise affect their economic exposure to the Share Rights before they vest. Holders of Share Rights will be free to deal with the ordinary shares allocated on exercise of Share Rights, subject to the requirements of Viva Energy's Securities Trading Policy.
Cessation of employment	If a participant ceases to be employed and is considered to be a Good Leaver, any unvested Share Rights that have been granted as part of the 2021 STI will remain on foot, unless the Board determines otherwise in its absolute discretion. If the participant ceases to be employed and is not a Good Leaver, any unvested Share Rights granted as part of the 2021 STI will lapse. Generally, a participant will be a Good Leaver unless their employment is terminated for cause or the participant resigns.
Change of control	The Board may determine in its absolute discretion that all or a specified number of a participant's Share Rights will vest on a change of control.

Remuneration report (continued)

4. 2021 Executive remuneration framework – in more detail (continued)

4.3. 2021-2023 Long Term Incentive (LTI)

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

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

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

Further information on the 2021-2023 LTI Plan is set out below.

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

Performance conditions

Condition	Weighting	Measure	Objective
Relative Total Shareholder Return (rTSR)	50%	Total Shareholder Return over the period, relative to the ASX50-150 peer group (Comparator Group).	To create strong alignment between LTI outcomes and the experience of shareholders.
Cumulative Free Cash Flow (RC) per share (FCF per share) over the performance period	25%	Cumulative FCF per share is calculated based on Underlying EBITDA (RC), normalised for market movements in AUD refining margins and adding/subtracting (as appropriate) maintenance capital expenditure, realised FX and derivative movements, dividends received from associated entities, interest and taxes paid.	This measure rewards strong cost and capital management with positive conversion of underlying earnings to cash flow to maximise cash that the Company has available to fund growth opportunities, pay dividends and repay debts.
Average Return on Capital Employed (RC) (ROCE) for each year of the performance period	25%	Underlying EBIT (RC) divided by average capital employed (total shareholder's equity plus net debt) for each year.	This measure rewards executives for prudent management of capital to maintain positive returns on capital employed over the performance period.

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

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

Remuneration report (continued)

4. 2021 Executive remuneration framework – in more detail (continued)

4.3. 2021-2023 Long Term Incentive (LTI) (continued)

Performance period and exercise

Performance will be assessed over a 36-month period from 1 January 2021 to 31 December 2023. Vested Performance Rights may be exercised during exercise periods aligned to the share trading windows outlined in the Company's share trading policy for up to three years after vesting.

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

Components

rTSR component

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

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

FCF per share component

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

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

ROCE component

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

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

Remuneration report (continued)

4. 2021 Executive remuneration framework – in more detail (continued)

4.3. 2021-2023 Long Term Incentive (LTI) (continued)

Disclosure of FCF and ROCE targets	The Board considers that the FCF and ROCE targets are commercially sensitive as disclosure of those targets can potentially indicate the Group's margins and, as such, jeopardise Viva Energy's competitive position. Therefore, those targets will not be disclosed during the performance period. However, the Board will provide full details of the vesting outcomes in connection with each component of the LTI, including the levels at which the targets were set at the beginning of the performance period, following completion of the performance period. The targets and the vesting outcomes will be detailed in the Remuneration report for the year in which the LTI will be tested. Information on the 2019-2021 LTI targets and performance against those targets is set out in section 5.3.
Other features	Performance Rights have the same voting and dividend entitlements, restrictions on dealing, treatment on cessation of employment, and change of control provisions as the Share Rights described in section 4.2 above. For completeness, it is noted that there is no dividend equivalent payment that applies to Performance Rights.

4.4. Claw back and preventing inappropriate benefits

Under the rules governing the STI and LTI Plans, the Board has broad powers to 'claw back' incentives that it may exercise in certain circumstances (for example the Executive KMP has acted fraudulently or dishonestly, has engaged in gross misconduct, brought the Group into disrepute or materially breached their obligations to the Group). The claw back regime applies to cash STI, Share Rights granted under the STI Plan and Performance Rights granted under the LTI Plan.

4.5. Executive service agreements

Remuneration and other terms of employment for the CEO and COFO are formalised in an Employment Agreement as summarised below:

EXECUTIVE KMP	CONTRACT DURATION	TOTAL FIXED REMUNERATION AT THE END OF 2021 FINANCIAL YEAR	TERMINATION NOTICE PERIOD BY EXECUTIVE	TERMINATION NOTICE PERIOD BY COMPANY[1]
Scott Wyatt	Ongoing	$1,146,000[2]	12 months	12 months
Jevan Bouzo	Ongoing	$800,000	12 months	12 months

1. Viva Energy may elect to pay the executive in lieu of all or part of such notice period with any such payment to be based on the executive's TFR over the relevant period. Any payments made to the executive upon termination of employment will be limited to the maximum amount permitted by the Corporations Act.
2. The CEO's 2021 TFR was delivered through a combination of cash ($996,000) and Restricted Stock Units (RSUs) ($150,000) that are subject to a combined 2 year service and deferral period.

4.6. Loans and other transactions with KMP

4.6.1 Loans to key management personnel

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

4.6.2 Other transactions with key management personnel

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

Remuneration report (continued)

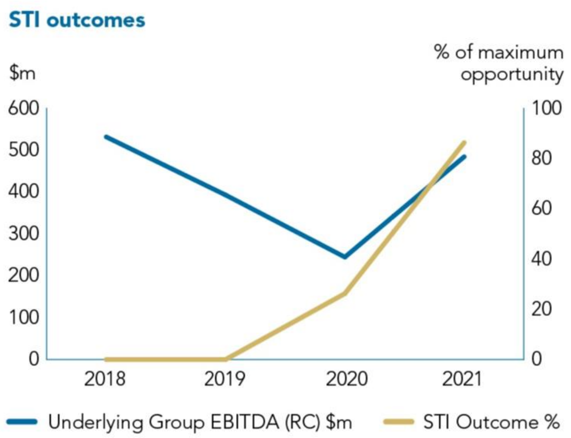
5. Group Performance and 2021 Remuneration Outcomes

5.1. Company performance and remuneration outcomes – 2021 and historical

The table below outlines the Company's performance for the years 2018 to 2021.

	2018	2019	2020	2021
Underlying Group EBITDA (RC)[1]	$531.5M	$392.9M	$244.6M	$484.2
TRIFR (Total Recordable Injuries/Frequency Rate)	36/5.77	29/4.55[2]	19/3.6[2]	34/6.7[2]
Share price – close	$1.80	$1.92	$1.91	$2.35
Dividend per share (fully franked)	4.8 cents[3]	4.7 cents	0.8 cents	4.1 cents
Special dividend (unfranked)	-	-	5.94 cents	-
Capital return	-	-	21.46 cents	6.2 cents
Statutory earnings per share basic/diluted	29.8/29.4 cents	5.8/5.7 cents	(1.9)/(1.9) cents	14.5/14.5 cents
Underlying earnings per share	15.4 cents	8.1 cents	1.8 cents	12.0 cents
STI Outcomes – % of maximum	**0%**	**0%**	**26.25%**	**86.3%**
LTI Outcomes – % of maximum	**N/A**	**N/A**	**25%[4]**	**50%[5]**

1. In 2021, the Company changed its approach to reporting underlying financial information to include lease expenses in the underlying results for the Group. For the purposes of comparison, the historical results shown in this table also apply the new basis of reporting.
2. Excludes performance by Liberty Oil Holdings, which was acquired in December 2019 and does not form part of the safety and environment hurdles set under the STI
3. This is the final dividend for the six months ended 31 December 2018. No interim dividend was paid in 2018
4. Vesting of the 2018-2020 LTI
5. Vesting of the 2019-2021 LTI



Remuneration report (continued)

5. Group Performance and 2021 Remuneration Outcomes (continued)

5.2. 2021 STI outcomes

5.2.1 Performance against the 2021 STI Scorecard

This section discusses performance against the 2021 STI scorecard by the Executive KMP.

Category	Objective	Weighting	Performance against target range (Below threshold / Threshold / Target / Stretch)	Performance against the performance measure
Financial	Deliver sustainable shareholder returns and consistent operating cash flows	60%		The Group's financial performance in 2021 exceeded the Stretch hurdle both on the basis of actual and normalised performance, with actual EBITDA (RC) of $484.2M[2] a 98% improvement on the 2020 result.
Personal objectives	Progress key personal objectives aligned with the Company's strategic goals that deliver long term growth and position the Company for future success	30%		The Executive KMP achieved Stretch performance on their personal objectives, delivering on significant strategic initiatives: • Worked with the Federal Government to successfully finalise the fuel security package which has transformed the outlook for the refining business. Secured Federal Government funding for construction of Diesel storage at Geelong. • Strong progress on the Geelong Gas Terminal project – entered expanded partner group with substantial international experience in LNG regasification terminals, completed FEED, signed a HOA to charter an FSRU and substantial progress on the EES. • Returned $100M to shareholders from the Waypoint REIT divestment via a capital return and a further $18M via an on-market buy back. • Defined commitments to reduce the Company's carbon emissions and announced net zero ambition. Signed MOU with WAGA Energy for renewable natural gas recovery from landfill, launched carbon neutral Jet Fuel, and is progressing feasibility for construction of a Hydrogen production and refuelling facility at the Geelong Energy Hub, supported by possible behind the meter solar farm.
Safety, environment and people	Build a generative safety culture and a highly engaged workforce focused on delivering high quality results	10%		Management maintained strong employee engagement and focus on health and wellbeing, ensuring that we operated safely and reliably throughout the second year of pandemic disruption. However, performance on personal and process safety has been disappointing and the Board exercised discretion to reduce the Safety, Environment and People component of the scorecard to zero: • TRIFR 6.7 (3.61 in 2020)[1]. Majority are relatively minor incidents, associated with manual handling, line of fire and slips, trips and falls. • Three Tier 2 incidents and one Tier 1 incident (two Tier 2 and one Tier 1 in 2020)[1]. • 19 LOPC > 100kg (same as 2020)[1]. • Engagement score 69% (70% in 2020).

1. Excludes performance by Liberty Oil Holdings, which was acquired in December 2019 and does not form part of the safety and environment hurdles set under the STI.
2. At the beginning of the 2021 STI performance period, the Board agreed to assess performance based on normalised refining margins and foreign exchange movements, whereby actual Group financial performance is restated applying available margins and exchange rate assumptions used to set the targets at the beginning of the performance period. The Group's performance in 2021 exceeded the Stretch hurdle both on the basis of actual and normalised performance.

5.2.2 Final 2021 STI outcome

EXECUTIVE KMP	STI OUTCOME (% OF MAXIMUM OPPORTUNITY)	STI OUTCOME (% OF TARGET OPPORTUNITY)	MAXIMUM STI FOREGONE	TOTAL STI AWARD	STI AWARD PROVIDED IN CASH	STI AWARD PROVIDED IN SHARE RIGHTS[1]
Scott Wyatt	86.3%	172.5%	$211,150	$1,324,490	$662,245	$662,245
Jevan Bouzo	86.3%	172.5%	$110,000	$690,000	$345,000	$345,000

1. Share Rights (expected to be granted in March 2022) will vest into shares in two equal tranches, on 1 January 2023 and 1 January 2024, subject to conditions as set out in section 4.2. The number of Share Rights granted to each Executive KMP is determined by dividing the dollar value of the STI award to be provided in Share Rights by $2.0311, being the weighted average share price of the Company's shares over the performance period 1 January 2021 to 31 December 2021.

Remuneration report (continued)

5. Group Performance and 2021 Remuneration Outcomes (continued)

5.3. 2019-2021 Long Term Incentive outcome

5.3.1 Performance against the 2019-2021 LTI performance conditions

The three year performance period of the 2019-2021 LTI grant ended on 31 December 2021. The 2019-2021 LTI performance conditions along with the outcome against the maximum opportunity under the grant are shown in the table below.

2019-2021 LTI measures, hurdles and outcome

MEASURE	WEIGHTING	VESTING SCHEDULE	MINIMUM (0% VESTING)	MAXIMUM (100% VESTING)	PERFORMANCE	VESTING (% OF MAXIMUM)
Cumulative FCF over the performance period	25%	Straight-line pro-rata vesting between 50-100% for performance between target and stretch hurdles	Less than target performance of $825M	Stretch performance of $925M	$967M[1]	100%
Average ROCE for each year of the performance period	25%		Less than target performance of 15%	Stretch performance of 23%	9.0%	0%
TSR relative to the ASX100 Comparator Group	50%	Straight-line pro rata vesting between 50% and 100% for performance between 50th percentile and 75th percentile	Less than 50th percentile	At 75th percentile or above	50th[2] percentile	50%
Total	**100%**					**50% vesting**

1. In accordance with the terms of the 2019-2021 LTI, the FCF measure was normalised for movements in refining margins and foreign exchange (both on an after-tax basis). The normalisation process involved: 1) restating the actual Group performance over the three-year performance period by applying available margins and exchange rate assumptions used to set the target at the beginning of the performance period; 2) adjusting the Fuel Security Services Payment (FSSP) received by the Company in 2021 downward to nil; and 3) adjusting the Jobkeeper payment received during the performance period to nil. The targets set at the beginning of the performance period assumed the receipt of the Waypoint REIT dividends – as the Waypoint REIT stake was divested during the performance period, an adjustment was made for the dividends foregone. As a result of these collective adjustments, FCF performance was adjusted up from actual FCF of $620M to the normalised performance of $967M over the performance period.

2. The Board engaged Aon Hewitt to independently assess Viva Energy's rTSR performance against the ASX 100 peer group over the performance period. The Company's TSR over the three-year performance period was +26.86%. In assessing the Company's TSR performance relative to the ASX100 peer group, the Board resolved to include in the peer set Santos and Oil Search, notwithstanding that the entities merged in December 2021 (had these companies been excluded, the Company's performance would rank at the 49th percentile relative to the ASX100 Comparator Group). The Board considers both these companies to be relevant TSR comparators over the performance period for Viva Energy on the basis of their industry and materiality within the index.

5.3.2 Final 2019-2021 LTI outcome

The outcome for each Executive KMP under the 2019-2021 LTI is shown in the table below.

	DATE 2019 PR[1] GRANTED	NUMBER OF 2019 PR GRANTED	VALUE AT GRANT DATE[2]	% OF 2019 PR VESTED	NUMBER OF 2019 PR VESTED	VALUE OF 2019 PR VESTED[3]	% OF 2019 PR LAPSED	NUMBER OF 2019 PR LAPSED
Executive KMP								
Scott Wyatt	23 May 2019	541,198	$887,565	50%	270,599	$673,792	50%	270,599
Jevan Bouzo	19 March 2019	270,599	$535,786	50%	135,299	$336,895	50%	135,300
Former Executive KMP								
Thys Heyns[4]	19 March 2019	270,599	$535,786	-	-	-	100%	270,599

1. 2019-2021 LTI Performance Rights
2. The value of the Performance Rights granted is based on the total grant date fair value. Refer to section 9.1 for further details on the fair value of the Performance Rights.
3. Calculated based on share price of $2.49, being the closing share price on the date of vesting on 20 February 2022.
4. Unvested 2019 LTI Performance Rights held by Thys Heyns lapsed upon his retirement from the Company on 31 March 2021.

Remuneration report (continued)

5. Group Performance and 2021 Remuneration Outcomes (continued)

5.4. 2021 Realised Pay – Executive KMP (unaudited)

The following table sets out the pay actually earned by the executive during or in relation to the 2021 financial year, as a summary of real or 'take home' pay. This includes fixed remuneration and any other benefits paid/payable in relation to the 2021 financial year. It also includes the full value of incentive pay that has been earned in relation to the 2021 performance period.

This table is non-IFRS information and is unaudited. This disclosure is voluntary and is supplemental information to the statutory remuneration disclosed in section 7 of this Remuneration Report.

	TOTAL FIXED REMUNERATION		STI					
	Cash $	RSU $ 1	CASH $ 2	DEFERRED SHARE RIGHTS $ 3	LTI VESTED $ 4	OTHER $ 5	TOTAL $	LEGACY LTI VESTED $ 6
Executive KMP								
Scott Wyatt	958,501	215,460	662,245	115,623	673,792	28,026	2,653,647	-
Jevan Bouzo	754,168	-	345,000	62,628	336,895	27,084	1,525,775	430,464

1. Represents the deferred equity component of Scott Wyatt's 2021 total fixed remuneration – 86,530 Restricted Stock Units will vest and be automatically exercised into ordinary shares in accordance with its terms. The value is based on the share price of $2.49, being the closing share price on 20 February 2022.
2. STI cash represents the cash component of the 2021 STI award (50%), which will be paid in March 2022.
3. Deferred STI represents the deferred equity component of the 2020 STI – 46,435 and 25,152 deferred share rights vested for Scott Wyatt and Jevan Bouzo respectively and will be automatically exercised into ordinary shares in accordance with its terms. The value is based on the share price of $2.49, being the closing share price on 20 February 2022.
4. LTI vested represents the value of the vested 2019-2021 LTI award. The value is based on the number of Performance Rights that vested (270,599 and 135,299 performance rights for Scott Wyatt and Jevan Bouzo respectively) multiplied by $2.49, being the Viva Energy closing share price at the time of vesting on 20 February 2022.
5. Comprises of superannuation and other benefits including the Viva Energy discount benefit received, the payment of premiums for death and total permanent disability insurance cover and the payment of plan management fees for the Viva Energy Superannuation Plan. Negative balances are as a result of the leave taken being greater than the leave accrued in the relevant financial year. Accruals for Annual Leave and Long Service Leave have been excluded.
6. Represents the 183,176 shares transferred to Jevan Bouzo as a result of options that vested and were exercised via the cashless exercise facility on 1 January 2022 multiplied by Viva Energy's closing share price at the time of exercise ($2.30). The Legacy LTI plan was put in place prior to the Company's listing in 2018 and no further grants have been made since the listing nor will be made under this plan going forward. As at the date of this report, there are no outstanding options under the Legacy LTI.

Remuneration report (continued)

6. Remuneration governance

Remuneration governance

Board

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

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

Remuneration and Nomination Committee (RNC)

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

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

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

Management

- Provides information relevant to remuneration decisions and makes recommendations to the RNC.

Consultation with shareholders and other stakeholders

Remuneration consultants and other external advisors

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

Any advice provided by external advisors is used to assist and inform the Board, and it is not a substitute for the Board and RNC processes.

In 2021, no remuneration recommendations were received from remuneration consultants as defined under the *Corporations Act 2001*.

Remuneration consultants and other external advisors

Management may seek its own advice relevant to remuneration matters (for example, market trends, legal advice, tax advice).

Remuneration report (continued)

7. Executive Statutory Remuneration

The table below has been prepared in accordance with the requirements on the Corporations Act 2001 and the relevant Australian Accounting Standards. The amounts provided under the 'STI share-based payment' and 'LTI share-based payment' columns are based on accounting values and do not reflect actual payments received in 2021.

		SHORT-TERM BENEFITS				POST-EMPLOY-MENT	LONG-TERM BENEFITS			
		SALARY AND FEES $ 1	STI $ 2	OTHER BENEFITS $ 3	ANNUAL LEAVE $	SUPER-ANNU-ATION $	LONG SERVICE LEAVE $ 4	STI SHARE-BASED PAYMENT $ 5	LTI SHARE-BASED PAYMENT $ 6	TOTAL $
Executive KMP										
Scott Wyatt	**2021**	**958,501[7]**	**662,245**	**5,394**	**41,141**	**22,632**	**(54,856)**	**342,493**	**707,953**	**2,685,503**
	2020	875,646	157,500	5,055	30,264	21,354	(2,243)	65,625	737,248	1,890,449
Jevan Bouzo	**2021**	**754,168[8]**	**345,000**	**4,452**	**(2,986)**	**22,632**	**12,939**	**179,802**	**423,599**	**1,739,606**
	2020	621,313	85,312	4,132	(4,833)	21,354	10,471	35,547	374,049	1,147,345
Former Executive KMP										
Thys Heyns[9]	**2021**	**285,026[10]**	**-**	**956**	**41,672[11]**	**5,424**	**2,242**	**-**	**(448,574)**	**(113,254)**
	2020	521,379	157,500	3,478	(11,442)	39,622	8,971	-	397,417	1,116,925
Total	**2021**	**1,997,695**	**1,007,245**	**10,802**	**79,827**	**50,688**	**(39,675)**	**522,295**	**682,978**	**4,311,855**
	2020	**2,018,338**	**400,312**	**12,665**	**13,989**	**82,330**	**17,199**	**101,172**	**1,508,714**	**4,154,719**

1. 2021 salary and fees include a $150 per month working from home allowance received by all eligible employees. 2020 salary and fees include a once-off $1,000 working from home payment received by all eligible employees.
2. STI award provided in cash (50% of the total STI award). The 2021 STI cash award will be paid in March 2021.
3. Other benefits represent Viva Energy fuel discount, payment of premiums for death and total and permanent disability insurance cover, payment of plan management fees for the Viva Energy Superannuation Plan, and payments made with respect to mobile phone use.
4. Negative balances are as a result of the leave taken being greater than the leave accrued in the relevant financial year.
5. STI share-based payment represents the fair value of Deferred Share Rights granted under the 2020 and 2021 STI, calculated in accordance with accounting standards.
6. LTI share-based payment represents fair value of Performance Rights granted to date and the statutory expense recorded in the income statement for the value of Legacy LTI options vesting across the period, calculated in accordance with accounting standards.
7. Scott Wyatt's total fixed remuneration (inclusive of base salary and superannuation) was increased from $896,000 to $1,146,000, effective on 1 March 2021. $150,000 of this increase was effected through a grant of 86,530 Restricted Stock Units (RSU) and as such has been expensed under the LTI share-based payment amount. The RSUs are subject to a service condition of one year and a further deferral period of one year.
8. Jevan Bouzo's total fixed remuneration (inclusive of base salary and superannuation) was increased from $650,000 to $800,000 effective on 1 March 2021 when he took on an expanded role of Chief Operating and Financial Officer.
9. 2021 remuneration for Thys Heyns is shown from 1 January 2021 until he ceased as KMP on 31 March 2021.
10. Includes a termination payment of $150,000.
11. Includes annual leave payment of $31,320 upon termination.

Remuneration report (continued)

8. Non-Executive Director Remuneration

8.1. Non-Executive Director Fees

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

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

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

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

Under the ASX Listing Rules and Viva Energy's Constitution, the total amount paid to all Non-Executive Directors must not exceed in aggregate in any year the amount fixed by Viva Energy in a general meeting for that purpose. As disclosed in the Prospectus, this amount has been fixed by the Company at $1.9 million per annum. Non-Executive Director fees paid in 2021 were within this cap.

8.2. 2021 Non-Executive Director Fees

The fees paid to the Non-Executive Directors in 2021 are set out in the table below:

		SHORT-TERM BENEFITS		POST – EMPLOYMENT BENEFITS	OTHER LONG TERM BENEFITS	
NON-EXECUTIVE DIRECTORS		SALARY AND FEES $	NON-MONETARY BENEFITS $	SUPER-ANNUATION $	OTHER $	TOTAL $
Robert Hill (Chairman)	2021	377,368	-	22,632	-	400,000
	2020	378,646	-	21,354	-	400,000
Arnoud De Meyer	2021	217,500	-	-	-	217,500
	2020	217,500	-	-	-	217,500
Dat Duong[1]	2021	-	-	-	-	-
	2020	-	-	-	-	-
Michael Muller[1]	2021	-	-	-	-	-
	2020	-	-	-	-	-
Sarah Ryan[2]	2021	235,000	-	-	-	235,000
	2020	235,000	-	-	-	235,000
Nicola Wakefield Evans[3]	2021	86,926	-	8,693	-	95,619
	2020	N/A	N/A	N/A	N/A	N/A
FORMER NON-EXECUTIVE DIRECTORS						
Jane McAloon[4]	2021	138,892	-	13,353	-	152,245
	2020	214,612	-	20,388	-	235,000
Total	2021	1,055,686	-	44,678	-	1,100,364
	2020	**1,045,758**	**-**	**41,742**	**-**	**1,087,500**

1. Dat Duong and Michael Muller have agreed to not receive any remuneration for their positions as Non-Executive Directors.
2. Sarah Ryan did not receive superannuation in 2020 and 2021 pursuant to an exemption granted by the ATO under section 19AA of the Superannuation Guarantee (Administration) Act 1992. Accordingly, Dr Ryan's 2020 and 2021 fees include the amounts which would otherwise have been contributed as superannuation.
3. Remuneration for Nicola Wakefield Evans is shown from 3 August 2021 when she was appointed a Non-Executive Director.
4. Jane McAloon resigned as a Non-Executive Director with effect on 25 August 2021.

Remuneration report (continued)

9. Equity Interests

9.1. Performance Rights, Deferred Share Rights and Legacy LTI option holdings – KMP

Abbreviations used in the following table:

2018 PR – 2018-2020 LTI Performance Rights | 2019 PR – 2019-2021 LTI Performance Rights | 2020 PR – 2020-2022 LTI Performance Rights | 2021 PR – 2021-2023 LTI Performance Rights | Options – Legacy LTI options | RSU – Restricted Stock Units | DSR – Deferred Share Rights

			HELD AT 1 JANUARY 2021		GRANTED[1]			EXERCISED		HELD AT 31 DECEMBER 2021[2]	
	TYPE	EXERCISE PRICE ($)	VESTED	UN-VESTED	NUMBER	VALUE ($)	LAPSED	NUMBER	VALUE ($)[3]	VESTED	UN-VESTED
Executive KMP											
Scott Wyatt	2021 RSU	-	-	-	86,530	143,640	-	-	-	-	86,530
	2020 STI DSR	-	-	-	92,871	159,738	-	-	-	-	92,871
	2021 PR	-	-	-	905,501	1,365,106	-	-	-	-	905,501
	2020 PR	-	-	556,121	-	-	-	-	-	-	556,121
	2019 PR	-	-	541,198	-	-	-	-	-	-	541,198
	2018 PR	-	-	480,000	-	-	360,000	120,000	199,200	-	-
Jevan Bouzo	2020 STI DSR	-	-	-	50,305	86,525	-	-	-	-	50,305
	2021 PR	-	-	-	471,725	555,613	-	-	-	-	471,725
	2020 PR	-	-	301,232	-	-	-	-	-	-	301,232
	2019 PR	-	-	270,599	-	-	-	-	-	-	270,599
	2018 PR	-	-	192,000	-	-	144,000	48,000	79,680	-	-
	Options[4]	1.21	1,153,571[5]	384,524	-	-	-	1,153,571	1,148,991	-	384,524
Former Executive KMP											
Thys Heyns	2021 PR[6]	-	-	-	-	-	-	-	-	-	-
	2020 PR[7]	-	-	278,060	-	-	278,060	-	-	-	-
	2019 PR[7]	-	-	270,599	-	-	270,599	-	-	-	-
	2018 PR	-	-	240,000	-	-	180,000	60,000	99,600	-	-

1. The following equity securities were granted in 2021:
   - Restricted Stock Units were awarded to Scott Wyatt on 16 March 2021 and represent $150,000 of Mr. Wyatt's 2021 total fixed remuneration. The number of rights were calculated by dividing $150,000 by the volume weighted average price of the Company's shares on the ASX (VWAP) over the 30 day period immediately prior to the award.
   - Deferred Share Rights were awarded to Jevan Bouzo and Scott Wyatt on 1 March 2021. The number of Deferred Share Rights were calculated by dividing the dollar value of their equity component of the 2020 STI amount vested by the VWAP over the period from 1 January 2020 to 31 December 2020.
   - 2021 LTI Performance Rights were awarded to Jevan Bouzo on 19 February 2021 and Scott Wyatt on 26 May 2021. The number of Performance Rights were calculated by dividing the dollar value of their maximum LTI opportunity by $1.6959, being the VWAP over the period from 1 January 2020 to 31 December 2020. The value of the Performance Rights granted in 2021 is based on the total grant date fair value.
2. Of the 2019 PRs held by Scott Wyatt and Jevan Bouzo, 50% have vested and the remaining 50% have lapsed since 31 December 2021. Of the options held by Jevan Bouzo on 31 December 2021, all vested options were exercised on 1 January 2022 via cashless exercise facility resulting in the transfer of 183,176 ordinary shares to Mr. Bouzo.
3. The value of Performance Rights exercised is calculated based on the share price of $1.66, being the closing share price on the date of vesting on 23 February 2021.
   The value of Options exercised represents the number of shares received on the exercise of the options via cashless exercise facility multiplied by Viva Energy's closing share price on the date of exercise ($2.17).
4. The Legacy LTI Plan was put in place prior to the Company's listing in 2018 and no further grants have been made since the listing, nor will be made under this plan going forward.
5. On 1 January 2021, 384,524 options vested resulting in a difference with the number of options vested as at 31 December 2020.
6. Thys Heyns retired as COO and ceased being a KMP on 31 March 2021. Mr Heyns did not participate in the 2021-2023 LTI.
7. Unvested 2019 and 2020 LTI Performance Rights held by Thys Heyns lapsed upon his retirement from the Company on 31 March 2021.

Remuneration report (continued)

9. Equity Interests (continued)

9.1. Performance Rights, Deferred Share Rights and Legacy LTI option holdings – KMP (continued)

Further details of each grant of Performance Rights and Legacy LTI options outstanding at the end of 2021 are set out below:

TYPE	GRANT DATE	FAIR VALUE AT GRANT DATE	VESTING DATE
2021 PR	19 February 2021 26 May 2021	\$0.86 - \$1.50 \$1.18 - \$1.50	As notified by the Company to the participant after 31 December 2023
2020 PR	18 February 2020 6 July 2020 8 October 2020	\$0.47 - \$1.73 \$0.91 - \$1.58 \$0.91 - \$1.58	As notified by the Company to the participant after 31 December 2022
2019 PR	19 March 2019 23 May 2019	\$1.73-\$2.23 \$1.31-\$1.97	The date when all vesting conditions have been satisfied or waived (performance period ends 31 December 2021)
Options	25 October 2017	\$1.21	1 January 2022

9.2. Shareholdings – KMP

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

	BALANCE AS AT 1 JANUARY 2021	ACQUIRED IN 2021	ACQUIRED THROUGH VESTING OF PERFORMANCE RIGHTS	ACQUIRED THROUGH EXERCISE OF OPTIONS	DISPOSED IN 2021	OTHER[1]	BALANCE AS AT 31 DECEMBER 2021[2]
Non-Executive Directors							
Robert Hill	67,200	30,000	-	-	-	(2,916)	94,284
Dat Duong	-	-	-	-	-	-	-
Arnoud De Meyer	104,496	57,300	-	-	-	(4,854)	156,942
Mike Muller	-	-	-	-	-	-	-
Sarah Ryan	79,965	30,000	-	-	-	(3,298)	106,667
Nicola Wakefield Evans[3]	N/A	30,000	-	-	-	(900)	29,100
Former Non-Executive Directors							
Jane McAloon[4]	70,831	-	-	-	-	N/A	N/A
Executive KMP							
Scott Wyatt	9,171,893	-	120,000	-	(1,155,000)	(251,006)	7,885,887
Jevan Bouzo	130,198	427[5]	48,000	529,489[6]	(177,201)	(15,913)	515,000
Former Executive KMP							
Thys Heyns[7]	3,722,842	-	60,000	-	-	N/A	N/A

1. Reduction in number of shares held as a result of the share consolidation implemented on 25 October 2021.
2. Post 31 December 2021:
   - Jevan Bouzo acquired 183,176 ordinary shares following the exercise of the remaining Legacy LTI options,
   - Scott Wyatt and Jevan Bouzo are due to receive 270,599 and 135,299 ordinary shares respectively following the vesting of their 2019-2021 LTI performance rights.
3. Nicola Wakefield Evans became a Director on 3 August 2021. Accordingly, the disclosure covers the period from 3 August 2021.
4. Jane McAloon resigned as a Director with effect on 25 August 2021. Accordingly, the disclosure covers the period up to 25 August 2021.
5. Acquired under the Employee Share Plan 2021 Exempt Share Award.
6. Following the exercise of the Legacy LTI options via cashless exercise facility, 529,489 shares were transferred to Jevan Bouzo on 7 September 2021.
7. Thys Heyns retired from the Company on 31 March 2021. Accordingly, the disclosure covers the period up to and including 31 March 2021.

Remuneration report (continued)

10. 2022 Remuneration

10.1. KMP

On the Company's listing in 2018, the remuneration of the CEO was intentionally set at modest levels relative to ASX listed peers and it has, since listing, continued to remain significantly below market. This was an intentional decision of the Board at the time, recognising the strong retention focus and significant value tied to the legacy LTI structure put in place under the previous ownership (which expired for the CEO in January 2020).

Since listing, the Board has communicated its intention to address the competitiveness of the CEO's package. This is particularly important as the Company continues to progress on its transformation journey in an evolving energy market in which the CEO is considered by the Board to be a critical leader. The Board believes it important to address the CEO's pay levels to ensure there is sufficient engagement and retention value to secure the CEO.

In last year's Remuneration Report, the Board disclosed that it would address the competitiveness of the CEO's remuneration package in a staged approach, with the first realignment step disclosed and implemented in 2021 via a combination of cash and Restricted Stock Units (RSUs) that are subject to a further combined 2 year service and deferral period. In considering the CEO's 2022 remuneration, the Board considered a market cap peer group of ASX 50-150, which was further augmented by consideration of specific comparators of other CEO packages in the oil and gas industry. Both data sets confirmed that the CEO's TFR continues to be below median.

In line with the Board's stated intention it would continue to review the CEO's package with a view to moving Total Fixed Remuneration (**TFR**) to just above the median of the ASX50-150 peer group, as the second and final step in this process, the Board has made one further significant adjustment to the CEO's TFR from $1,146,000 to $1,400,000 in 2022. The 2022 TFR will be delivered via a combination of cash ($1,150,000) and RSUs ($250,000). The RSUs will be subject to a service condition of one year and a further deferral period of one year to increase equity exposure of the CEO's 2022 package while also building in a retention component. Following this increase, the CEO's TFR will be positioned just above median of the ASX 50–150 peer group and his total remuneration (including his incentive opportunities at maximum) will be around the 75th percentile of the peer group. The CEO will only realise the total reward under the incentive opportunities if STI and LTI targets are achieved at maximum aligning the majority of his package with the experience of shareholders. This change is intended to be the final material step and will conclude the process of market re-alignment.

No other changes will be made in 2022 to the remuneration arrangements of the non-executive directors or the COFO.

10.2. 2022 variable remuneration

10.2.1 2022 STI

The Board previously determined to assess 2020 and 2021 STI financial performance based on normalised refining margins and foreign exchange movements, whereby actual Group financial performance is restated applying available margins and exchange rate assumptions used to set the targets at the beginning of the performance period.

For the 2022 STI, the Board has decided to assess STI financial performance based on actual performance (that is, not normalising for refining margins). A contributing factor to this has been the Federal Government announcing the Fuel Security Services Payment (FSSP) in 2021. The FSSP mechanism provides a level of 'downside' protection in a low refining margin environment, which makes normalising no longer necessary going forward. While the FSSP mechanism is in place, the Board considers that assessing remuneration outcomes based on actual (as compared to normalised) performance to be a simpler and more transparent process, with outcomes aligned to the shareholder experience. The Board will continue to retain overarching discretion to assess the appropriateness of STI outcomes at year end.

Remuneration report (continued)

10. 2022 Remuneration (continued)

10.2. 2022 variable remuneration (continued)

10.2.2 2022 LTI

Viva Energy is on a transformation journey as the energy industry evolves. While FCF, ROCE and rTSR all remain important, the Board also wants to reward progress against tangible milestones on our transformation as they are critical to our long-term success. For this reason, the Board has decided to incorporate in the 2022 LTI a strategic component linked to our strategic objectives (aligned with the strategy outlined in the November 2022 investor day). This component will have a total weighting of 15%.The existing measures (FCF, ROCE and rTSR) will be reduced in weighting by 5% each to accommodate the introduction of the strategic component.

Measure	**2021 LTI (current)**	**2022 LTI**
rTSR	Weighting: **50%** Peer group: ASX50-150	Weighting: **45%** Peer group: ASX50-150
FCF per share	Weighting: **25%** Normalised: **Yes**	Weighting: **20%** Normalised: **No** (this measure will no longer be normalised for the same reasons as apply to the STI (see above), being simplicity, transparency, and shareholder alignment)
ROCE	Weighting: **25%** Normalised: No	Weighting: **20%** Normalised: No
Strategic	N/A	Weighting: **15%.** Further detail on the strategic measures will be included in the 2022 notice of Annual General Meeting.

Directors' report

The Directors present this report, together with the financial report of Viva Energy Group Limited (the Company) and the entities it controlled (collectively, the Group), for the financial year ended 31 December 2021.

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

- Director biographies on pages 24 to 27;
- Operating and financial review on pages 6 to 23;
- Risk management disclosures which form part of the Operating and financial review on pages 18 to 23;
- Remuneration report on pages 29 to 51;
- External auditor's independence declaration on page 59; and
- Note 35 Auditor's remuneration on pages 112 to 113.

Directors, Secretaries and Meetings

The Directors of the Company at any time during the financial year ended 31 December 2021 and up until the date of this report, unless otherwise stated, are:

- Robert Hill
- Scott Wyatt
- Arnoud De Meyer
- Dat Duong
- Jane McAloon – Resigned with effect on 25 August 2021
- Michael Muller
- Sarah Ryan
- Nicola Wakefield Evans – Appointed 3 August 2021

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

Company Secretaries

Julia Kagan

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

Julia Kagan was appointed Company Secretary on 26 July 2019.

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

Cheng Tang

BCom, LLB, AGIA

Cheng Tang was appointed Company Secretary on 19 August 2021.

Prior to joining Viva Energy in March 2020, Cheng was a senior adviser in the Listings Compliance team at ASX and started her career in assurance at Ernst & Young. Cheng holds a Bachelor of Commerce and a Bachelor of Laws from Monash University and is an Associate of the Governance Institute of Australia.

Directors' report (continued)

Directors' meetings

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

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

	Board meetings		Audit and Risk Committee		Sustainability Committee		Remuneration and Nomination Committee		Strategy and Investment Committee	
	(A)	(B)	(A)	(B)	(A)	(B)	(A)	(B)	(A)	(B)
Robert Hill	7	17			4	4	6	6	3	3
Arnoud De Meyer	17	17					6	6	3	3
Dat Duong	17	17	7	7			6	6	3	3
Jane McAloon[1]	10	9	5	5	2	2			1	1
Sarah Ryan	17	17	7	7	4	4			3	3
Michael Muller	17	17			4	4			3	3
Nicola Wakefield Evans[2]	9	9	3	3	2	2			2	2
Scott Wyatt	17	17							3	3

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

1. Jane McAloon retired from the Board and its committees with effect on 25 August 2021.
2. Nicola Wakefield Evans was appointed to the Board and joined the Sustainability Committee, the Audit and Risk Committee and the Strategy and Investment Committee on 3 August 2021.

Principal activities and review of operations

Principal activities

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

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

State of affairs

There were no significant changes in the Group's state of affairs during the year other than as set out in the Operating and financial review, which is set out on pages 6 to 23 and in the Notes to the consolidated financial statements.

Review of operations

The Operating and financial review of the Group for the 2021 financial year is set out on pages 6 to 23 of this report.

Directors' report (continued)

Dividends

We paid the following dividends during the financial year ended 31 December 2021:

Dividend	Total Dividend	Payment date
Interim dividend of 4.1 cents per share (fully franked) for the half year ended 30 June 2021	$65.9M	23 September 2021

Matters subsequent to the end of financial year

Diesel Storage Program

On 31 January 2022 the Group announced the finalisation of a grant agreement in relation to the Federal Government's Boosting Australia's Diesel Storage Program, that will see the Group build 90 million litres of new strategic diesel storage at the Geelong Refinery. The grant will cover up to 50 percent of total eligible expenditure up to a maximum of $33.3 million. The total project expenditure is estimated to be between $75.0 million and $85.0 million. Subject to regulatory approval, construction is expected to commence in 2022 with planned completion by 2024.

Stamp duty – Viva Energy REIT

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

An objection to the matter was lodged by VER Custodian Pty Ltd (a REIT entity) and a determination from the SRO was subsequently received in May 2020 disallowing that objection. The matter was then referred to the Supreme Court of Victoria (Court) with the court hearing on 8 November 2021. On 11 February 2022 the Court upheld the Group's objection to the SRO's stamp duty assessment and determined that the assessment be reduced to nil.

As a result of the Courts assessment, the $31.2 million contingent liability that has been disclosed in the financial statements since 2018 is no longer recognised. In addition, a $7.5 million payment made to the SRO in 2020, which is currently recognised in current assets within the consolidated statement of financial position at 31 December 2021, will be returned to the Group in 2022.

No other matters or circumstances have arisen subsequent to the end of the financial year that 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 years.

Directors' report (continued)

Remuneration and share interests

Remuneration Report

The Remuneration Report is set out on pages 29 to 51.

Directors' interests in share capital

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

Director	Number of ordinary shares in which the Director has a relevant interest
Robert Hill	94,284
Scott Wyatt	7,885,887*
Arnoud De Meyer	156,942
Dat Duong	-
Sarah Ryan	106,667
Michael Muller	-
Nicola Wakefield Evans	29,100

* The CEO will receive 270,599 ordinary shares following the vesting of the 2019 LTI Performance Rights. As at the date of this report, these shares have not yet been transferred to the CEO. See the Remuneration Report for further information.

Our Managing Director and CEO, Scott Wyatt, holds 92,871 Deferred Share Rights issued under the Company's Short Term Incentive Plan, 86,530 Restricted Stock Units and 1,461,622 Performance Rights issued under the Company's Long Term Incentive Plan.

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

Directors' report (continued)

Remuneration and share interests (continued)

Rights and Options over shares in the Company

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

	Number on issue as at 31 December 2020	Changes during the 2021 financial year	Number on issue as at 31 December 2021	Changes since the end of the 2021 financial year	Number on issue as at the date of this report
Options	1,538,095 Options at various exercise prices and expiry dates	1,153,571 Options exercised	384,524 Options exercisable at $1.21 expiring 1 January 2022	384,524 Options exercised	-
Performance Rights	5,100,863 Performance Rights	2,733,434* Performance Rights issued 308,000** Performance Rights vested 1,585,408 Performance Rights lapsed	5,940,889 Performance Rights	699,045** Performance Rights vested 699,049 Performance Rights lapsed	4,542,795 Performance Rights
Deferred Share Rights	2,201,583 Deferred Share Rights	2,540,824*** Deferred Share Rights issued 1,057,738** Deferred Share Rights vested 46,755 Deferred Share Rights lapsed	3,637,914 Deferred Share Rights	115,220** Deferred Share Rights vested	3,505,137 Deferred Share Rights

* Of these, 905,501 performance rights were granted to the CEO on 31 May 2021 as approved by shareholders at the 2021 AGM.
** Each Performance Right or Deferred Share Rights that vests entitles the holder to acquire one ordinary share. The shares allocated upon vesting and exercise are acquired on market and transferred to the holder.
*** Of these, 179,401 deferred share rights were granted to the CEO under the Company's STIP and LTIP.

Corporate Governance

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

Our 2021 Corporate Governance Statement is available on our website at www.vivaenergy.com.au.

Auditor

Our external auditor, PricewaterhouseCoopers (PwC), has provided an independence declaration in accordance with the Corporations Act. This is set out at page 59.

Directors' report (continued)

Auditor (continued)

Non-audit services

Details of non-audit services provided by, and amounts paid to, our external auditor are set out in Note 34 *Auditor's remuneration* to the financial statements.

The Directors have formed the view, based on advice from the Audit and Risk Committee, that the provision of non-audit services during the 2021 financial year was compatible with, and did not compromise, the general standard of independence for auditors imposed by the *Corporations Act 2001*. The non-audit services provided did not involve the external auditor reviewing or auditing its own work or acting in a management or decision making capacity for the Company, or otherwise could reasonably be expected to compromise its independence.

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

Environmental performance

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

In 2021, the Group received an infringement notice from the Environment Protection Authority (EPA) Victoria for the discharge of waste water that exceeded levels above the Geelong refinery's EPA licence limits. The EPA were promptly notified of the incident and mitigating measures have since been put in place following investigation of the cause of the incident. The infringement notice imposed a fine of approximately $8,000. There were no other fines, regulatory sanctions or prosecutions in relation to environmental issues or compliance with its licences during 2021.

The Group commenced proceedings in the Queensland Land & Environment Court to appeal an Environmental Protection Order issued by the Queensland Department of Environment & Science relating to perfluoroalkyl and polyfluoroalkyl substances (PFAS) in stormwater discharges from the Pinkenba Terminal (received in 2021). The Group continues to work with the EPA in Victoria in relation to similar impacts at our Newport Terminal (notice received in 2020). These notices relate to legacy PFAS contamination associated with the historical use of fluorinated fire-fighting foams at the terminal as part of the site's fire safety systems. At both the Newport and Pinkenba sites and in consultation with the relevant regulators, mitigation actions have been implemented to reduce the PFAS contamination in stormwater. These mitigations include covering or capping the former fire training grounds at each of the sites, as these areas are responsible for the majority of the contamination in stormwater. Further work is underway to finalise an appropriate level of water treatment. It is expected that a new version of the National Environment Management Plan (NEMP) will be released in 2022 which will set out the acceptable PFAS limits. The Group will monitor and assess the impact of the new NEMP when it becomes available.

Indemnities and insurance

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

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

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

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

Directors' report (continued)

Rounding of amounts

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

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

Robert Hill
Chairman

Scott Wyatt
CEO and Managing Director

Date: 21 February 2022

Auditor's Independence Declaration

As lead auditor for the audit of Viva Energy Group Limited for the year ended 31 December 2021, I declare that to the best of my knowledge and belief, there have been:

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

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

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

Chris Dodd
Partner
PricewaterhouseCoopers

Melbourne
21 February 2022

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

Consolidated statement of profit or loss

For the year ended 31 December 2021

	Notes	2021 $M	2020 $M
Revenue	1	**15,900.0**	**12,409.9**
Replacement cost of goods sold		(9,088.5)	(6,382.3)
Net inventory gain/(loss)	2	126.6	(256.6)
Sales duties, taxes and commissions		(4,965.5)	(4,426.6)
Import freight expenses		(220.0)	(274.0)
Historical cost of goods sold		**(14,147.4)**	**(11,339.5)**
Gross profit		**1,752.6**	**1,070.4**
Net (loss)/gain on other disposal of property, plant and equipment		(0.4)	5.5
Net profit on sale of investments	2	-	106.4
Other income	2	56.1	24.9
Other income		**55.7**	**136.8**
Transportation expenses		(255.0)	(236.0)
Salaries and wages		(281.7)	(266.3)
General and administration expenses		(160.9)	(147.9)
Maintenance expenses		(105.5)	(93.5)
Lease related expenses	12	(6.2)	(11.8)
Sales and marketing expenses		(88.8)	(81.3)
		910.2	**370.4**
Interest income		1.9	4.4
Share of profit of associates	29	0.6	10.6
Realised/unrealised gain on derivatives	2	31.0	35.3
Net foreign exchanges loss	2	(14.5)	(28.5)
Depreciation and amortisation expenses	2	(394.7)	(388.8)
Finance costs	2	(191.1)	(189.9)
Profit/(loss) before income tax		**343.4**	**(186.5)**
Income tax (expense)/benefit	27	(110.5)	150.3
Profit/(loss) after tax		**232.9**	**(36.2)**
Earnings per share		**cents**	**cents**
Basic earnings per share	4	14.6	(1.9)
Diluted earnings per share	4	14.5	(1.9)

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 2021

	Notes	2021 $M	2020 $M
Profit/(loss) for the year		**232.9**	**(36.2)**
Other comprehensive income/(loss)			
Other comprehensive income that may be reclassified to profit or loss in subsequent years (net of tax)			
Recycling of unrealised gains on cash flow hedges on disposal of investment in Waypoint REIT	29	-	6.3
Other comprehensive income not to be reclassified to profit or loss in subsequent years (net of tax)			
Changes in fair value of equity investments (net of tax)		(0.6)	-
Remeasurement of retirement benefit obligations	32	6.5	(2.4)
Net other comprehensive income		**5.9**	**3.9**
Total comprehensive income/(loss) for the year (net of tax)		**238.8**	**(32.3)**

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 2021

	Notes	2021 $M	2020 $M
ASSETS			
Current assets			
Cash and cash equivalents	6	96.7	49.1
Trade and other receivables	8	1,293.1	794.1
Inventories	5	1,179.5	698.8
Assets classified as held for sale	11	1.4	2.9
Derivative assets	20	6.8	-
Prepayments	9	28.0	27.6
Current tax assets		-	21.0
Total current assets		**2,605.5**	**1,593.5**
Non-current assets			
Long-term receivables	13	40.6	33.6
Property, plant and equipment	11	1,517.4	1,475.2
Right-of-use assets	12	2,184.8	2,321.5
Goodwill and other intangible assets	16	621.5	646.7
Post-employment benefits	32	6.8	0.2
Investments accounted for using the equity method	29	16.0	15.4
Financial assets at fair value through other comprehensive income	14	9.2	-
Net deferred tax assets	27	305.9	325.8
Other non-current assets		1.2	2.1
Total non-current assets		**4,703.4**	**4,820.5**
Total assets		**7,308.9**	**6,414.0**
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	10	2,145.7	1,329.6
Provisions	17	143.1	122.0
Short-term lease liabilities	12, 22	149.4	135.9
Derivative liabilities	20	8.6	19.4
Current tax liabilities		34.2	-
Total current liabilities		**2,481.0**	**1,606.9**
Non-current liabilities			
Provisions	17	96.2	104.0
Long-term borrowings	21	191.9	153.3
Long-term lease liabilities	12, 22	2,331.1	2,398.4
Long-term payables	15	96.8	94.3
Total non-current liabilities		**2,716.0**	**2,750.0**
Total liabilities		**5,197.0**	**4,356.9**
Net assets		**2,111.9**	**2,057.1**
Equity			
Contributed equity	23	4,252.5	4,373.9
Treasury shares	23	(12.7)	(6.8)
Reserves	23	(4,201.7)	(4,216.6)
Retained earnings		2,073.8	1,906.6
Total equity		**2,111.9**	**2,057.1**

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

Consolidated statement of changes in equity

For the year ended 31 December 2021

	Notes	Contributed equity $M	Treasury shares $M	Reserves $M	Retained earnings $M	Total equity $M
Balance at 1 January 2020		**4,861.3**	**(14.2)**	**(4,246.5)**	**2,123.3**	**2,723.9**
Statutory loss for the year		-	-	-	(36.2)	(36.2)
Other comprehensive income recycled on sale of investment		-	-	6.3	-	6.3
Remeasurement of retirement benefit obligations	32	-	-	(2.4)	-	(2.4)
Total comprehensive loss for the year		**-**	**-**	**3.9**	**(36.2)**	**(32.3)**
Dividends paid (net of dividends paid on treasury shares)	24	-	-	-	(180.5)	(180.5)
Reserve arising from IPO		-	-	1.0	-	1.0
Share buy-back		(72.3)	-	22.0	-	(50.3)
Capital return to shareholders		(415.1)	1.0	(0.3)	-	(414.4)
Share based payment reserve movement		-	-	3.3	-	3.3
Issue of shares to plan participants		-	15.7	-	-	15.7
Purchase of treasury shares		-	(9.3)	-	-	(9.3)
Balance at 31 December 2020		**4,373.9**	**(6.8)**	**(4,216.6)**	**1,906.6**	**2,057.1**
Balance at 1 January 2021		**4,373.9**	**(6.8)**	**(4,216.6)**	**1,906.6**	**2,057.1**
Statutory Profit for the year		-	-	-	232.9	232.9
Remeasurement of retirement benefit obligations	32	-	-	6.5	-	6.5
Changes in the fair value of equity investments through other comprehensive income		-	-	(0.6)	-	(0.6)
Total comprehensive income for the year		**-**	**-**	**5.9**	**232.9**	**238.8**
Dividends paid (net of dividends paid on treasury shares)	24	-	-	-	(65.7)	(65.7)
Share buy-back	23a, 23c	(21.7)	-	3.7	-	(18.0)
Capital return to shareholders	23a	(99.7)	0.3	(0.2)	-	(99.6)
Share based payment reserve movement	23c	-	-	5.5	-	5.5
Issue of shares to plan participants	23b	-	3.2	-	-	3.2
Purchase of treasury shares	23b	-	(9.4)	-	-	(9.4)
Balance at 31 December 2021		**4,252.5**	**(12.7)**	**(4,201.7)**	**2,073.8**	**2,111.9**

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

Consolidated statement of cash flows

For the year ended 31 December 2021

	Notes	2021 $M	2020 $M
Operating activities			
Receipt from trade and other debtors		19,225.4	15,937.0
Payments to suppliers and employees		(18,529.7)	(15,585.7)
JobKeeper payments received		6.2	21.8
Refinery production payments received		44.7	-
Interest received		1.9	4.4
Interest paid on loans		(8.4)	(8.0)
Interest paid on lease liabilities		(173.3)	(171.0)
Net income tax (paid)/refund		(36.1)	11.8
Net cash flows from operating activities	7	**530.7**	**210.3**
Investing activities			
Payments for purchases of property, plant and equipment and intangibles		(185.1)	(158.5)
Proceeds from sale of property, plant and equipment		5.1	15.0
Purchase of land for resale		(0.9)	(6.8)
Proceeds from sale of land		2.5	6.8
Net cash consideration paid for step acquisition of associate		-	(1.0)
Purchase of sub-leases from associate		(4.2)	-
Purchase of financial assets		(10.1)	-
Net cash consideration paid for acquisitions		(1.5)	-
Proceeds from sale of investments	29	-	730.1
Share buy back		(18.0)	(50.3)
Net purchase of employee share options		(9.4)	(8.8)
Dividends received from associates	29	-	19.8
Loan repayment from associate		4.2	-
Net cash flows (used)/contributed in investing activities		**(217.4)**	**546.3**
Financing activities			
Drawdown of borrowings		3,985.0	1,120.0
Repayments of borrowings		(3,945.0)	(1,227.2)
Dividends paid (net of dividend paid on treasury shares held)	24	(65.7)	(180.5)
Capital return (net of return paid on treasury shares held and transaction costs)		(99.6)	(414.4)
Upfront financing cost paid and capitalised		(2.7)	(0.1)
Repayment of lease liability		(137.7)	(124.8)
Net cash flows used in financing activities		**(265.7)**	**(827.0)**
Net increase/(decrease) in cash and cash equivalents		47.6	(70.4)
Cash and cash equivalents at the beginning of the year		49.1	119.5
Cash and cash equivalents at the end of the year	6	**96.7**	**49.1**

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

Notes to the consolidated financial statements

General information

Reporting entity

The consolidated financial statements of Viva Energy Group Limited ('Company') and the entities it controlled (collectively, 'Group') for the year ended 31 December 2021 were authorised for issue in accordance with a resolution of the Directors on 21 February 2022. The Company is a for-profit Company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange (ASX: VEA).

The Group is principally engaged in refining, marketing, sale, supply and distribution of fuel and related specialty products. The Group's principal place of business is Level 16, 720 Bourke Street, Docklands, Australia.

Significant changes in the current reporting period

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

- COVID-19 has continued to impact the performance of the Group, with the Retail, Aviation, Marine and Refinery businesses, in particular, unable to return to pre-COVID-19 volumes due to ongoing restrictions limiting travel and mobility across Australia;
- The Group recognised income from the Australian Federal Government of $56.1 million in relation to the Temporary Refinery Production Payment (TRPP) and the Fuel Security Services Payment (FSSP) that were introduced in the period, as well as COVID-19 JobKeeper support (see note 2);
- Share buy-back program activities during the period reduced shares on issue by 7,924,716 ordinary shares (see note 23);
- a capital return was undertaken in October 2021 which returned $99.7 million to shareholders, with associated share consolidation activities reducing shares on issue by 48,223,469 ordinary shares (see note 23).

Basis of preparation

Statement of compliance

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

The financial report has been prepared on a going concern basis. The Directors have made this assessment on the basis that the Group has sufficient liquidity and undrawn borrowing facilities to meet its obligations and pay its debts as and when they fall due.

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

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

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

Functional and presentation currency

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

Use of estimates and judgements

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

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

- Information about the assumptions and the risk factors relating to impairment are described in Note 8 *Trade and other receivables* and Note 16 *Goodwill and other intangible assets;*
- Note 11 *Property, plant and equipment* describes the policy and estimation of minimum operating stock and also the process of assessing for impairment of property, plant and equipment;
- Note 12 *Leases* provides an explanation of the key assumptions used to determine the lease related right-of-use assets and lease liabilities;
- Note 16 *Goodwill and other intangible assets* outlines the key assumptions and methodology used to assess the carrying value of the Groups goodwill for impairment.
- Note 17 *Provisions* provides key sources of estimation, uncertainty and assumptions used in regards to estimation of provisions;
- Note 19 *Financial assets and liabilities* and Note 25 *Fair value of financial assets and liabilities* provides an explanation of the key assumptions used to determine the fair value of financial assets and liabilities; and
- Information about the assumptions and the risk factors relating to income tax expense and deferred tax balances are described in Note 27 *Income tax and deferred tax*.

New and revised accounting standards

In the current reporting period, with the exception of updated guidance relating to accounting for software as a service, there were no new or amended accounting standards or interpretations issued by the Australian Accounting Standards Board that required the Group to change its accounting policies.

In 2021, updated guidance was released by the International Financial Reporting Interpretations Committee on accounting for configuration or customisation costs in a cloud computing or software as a service (SaaS) arrangement. The implementation of the new guidance has resulted in a Group accounting policy change for Saas arrangements. This accounting policy change did not have a material impact on the prior year.

Standards issued but not yet effective as at 31 December 2021

A number of new accounting standards and interpretations have been published that are not yet effective for periods beginning 1 January 2021 and have not been early adopted by the Group. These standards and interpretations applicable from periods beginning 1 January 2022 or beyond as noted by the effective date, are not expected to have a material effect on the consolidated financial statements.

Reclassification and changes in financial presentation

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

Results for the Year

1. Revenue

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

	2021	2020
	$M	**$M**
Revenue from contracts from customers		
Revenue from sale of goods	15,670.6	12,200.8
Non-fuels income	197.5	182.3
	15,868.1	12,383.1
Other revenue	31.9	26.8
Total revenue	**15,900.0**	**12,409.9**

Revenue from sale of goods

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

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

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

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

Non-fuels income

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

(i) Site Licence

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

(ii) Brand Licence Fees

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

(iii) Shell Card Fees

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

1. Revenue (continued)

Non-fuels income (continued)

(iv) Royalties

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

Other revenue

Other income includes rental recoveries, income from sub-leases and management fees earned through the Aviation business. Other revenue is recognised as or when the Group satisfies its related performance obligations.

Assets and liabilities related to contracts with customers

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

Disaggregation of revenue from contracts with customers

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

2. Other profit or loss items

	2021	2020
	$M	$M
Net inventory gain/(loss)	126.6	(256.6)

During the year, a net inventory gain of $126.6 million (2020: $256.6 million loss) was recorded in net inventory gain/(loss) which accounts for the net impact of movement in oil prices on inventory. Net inventory gains and losses within costs of goods sold represent the difference between the cost of goods sold calculated using the replacement cost of inventory and the cost of goods sold calculated on the FIFO method. Under the FIFO method, which is used to comply with accounting standard requirements, the cost of inventory charged to the statement of profit and loss is based on its historical cost of purchase or manufacture, rather than its replacement cost at the time of sale.

	2021	2020
	$M	$M
Net profit on sale of investments	-	106.4

During the previous period the Group sold its 35.5% security holding in Waypoint REIT which contributed $113.9 million to the Group's 2020 pre-tax profit with net cash proceeds of $730.1 million after transaction costs. This amount, along with an offsetting $7.4 million business combination adjustment relating to the 2020 Westside Petroleum Pty Ltd acquisition comprised the $106.4 million net profit on sale of investments within other income in the consolidated statement of profit and loss. In the current period no investments were sold.

	2021	2020
Other income	$M	$M
Temporary Refinery Production Payment	40.6	-
Fuel Security Services Payment	12.4	-
JobKeeper	3.1	24.9
Total other income	**56.1**	**24.9**

During the first half of 2021, as part of the Australian Government's Fuel Security Package, a Temporary Refinery Production Payment (TRPP) grant was available. Under the grant, the Group received a payment of $40.6 million. This program was superseded by the Federal Security Services Package (FSSP), which commenced on 1 July 2021 and will conclude on 30 June 2028 (unless extended at the option of the Group). The FSSP resulted in additional income of $12.4 million for the year.

In 2021 the Group also recorded income of $3.1 million from the Australian Government's "JobKeeper" scheme, which continued to provide assistance to the Group in supporting employees in the most impacted parts of the business, particularly in the aviation and refining businesses. Payments received this period of $6.2 million, as per the consolidated statement of cash flows, relate to prior year accrued income in addition to current period income.

2. Other profit or loss items (continued)

Other income (continued)

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

	2021	2020
Realised/unrealised gains on derivatives	**$M**	**$M**
Derivative contracts	31.0	35.3

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, being principally foreign exchange currency contracts (forwards and swaps) and commodity derivative instruments for the purpose of managing the market risks arising from the Group's operations and to hedge market exposure.

Derivatives are recognised at fair value. The gain or loss on subsequent remeasurement is recognised immediately in the consolidated statement of profit or loss. For the year ended 31 December 2021 and including any open positions at balance date, gains of $31.0 million were made (2020: $35.3 million gain). The gains in the current period were the result of various commodity price movements and a weakening Australian dollar through the year.

	2021	2020
Foreign exchange gain/(loss)	**$M**	**$M**
Foreign exchange gains	51.3	117.6
Foreign exchange losses	(65.8)	(146.1)
Net foreign exchange loss	**(14.5)**	**(28.5)**

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

	2021	2020
Depreciation and amortisation expense	**$M**	**$M**
Depreciation of property, plant and equipment	(140.4)	(140.2)
Depreciation charge of right-of-use assets	(221.6)	(216.2)
Amortisation of intangible assets	(32.7)	(32.4)
Total depreciation and amortisation expense	**(394.7)**	**(388.8)**

	2021	2020
Finance costs	**$M**	**$M**
Interest on borrowings, trade finance and commitment fees	(12.2)	(12.5)
Interest on lease liabilities	(173.3)	(171.0)
Unwinding of discount on provisions	(3.2)	(4.0)
Unwinding of discount on long-term payables	(2.4)	(2.4)
Total finance costs	**(191.1)**	**(189.9)**

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.

In the previous reporting period the segment classification consisted of:

- Retail, Fuels and Marketing
- Refining
- Supply, Corporate and Overheads

Since the last reporting period the Group has undertaken a review of the ways in which earnings are reported and tracked across the different business segments. The review considered the evolution of our strategy, the way in which the business is run practically, changes in executive team and accountabilities and external / investor feedback.

Whilst the number of segments remains the same, the historical Supply, Corporate and Overheads (S,C&O) segment is replaced with a Corporate segment. These changes are reflected in the Summary Statement of Profit or Loss in the Directors' Report, with the key changes detailed below.

All applicable S,C&O costs are allocated out of the historical S,C&O segment and into Retail, Fuels and Marketing (RFM) and Refining. Costs to be allocated include storage and handling, shipping and pipeline costs, functional costs such as Technology & Digital, Finance, People & Culture, Procurement, Insurance, and divisional employee incentives. Costs such as storage and handling will be allocated to businesses on a terminal by terminal basis in line with volumes of each business, while the majority of corporate costs will be directly allocated based on individual people and in limited cases split evenly between RFM (Retail and Commercial) and Refining. The historical S,C&O segment is replaced by the Corporate segment, which captures group level costs which cannot be meaningfully allocated to the segments. These changes are reflected in the current year segment information, and prior period information has been restated to align with the current period changes.

The Group is organised into business units based on operational activities and has three reportable segments:

Retail, Fuels and Marketing

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

Refining

The Group's Geelong refinery in Corio, Victoria, refines crude oil into petrol, diesel and jet fuel. The refinery also manufactures and produces specialty products such as liquid petroleum gas, bitumen, oils, and chemical products. All refinery operating activities are included in this segment, including an allocation of supply and corporate overheads.

Corporate

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

The Group owns and manages an integrated supply chain of terminals, storage facilities, depots, pipelines and distribution assets throughout Australia in order to facilitate product distribution and delivery through wholesale and retail sites. Revenues and costs associated with Supply and Distribution are allocated to the operating segments based on appropriate cost drivers, most commonly, sales volumes.

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

Geographical information

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

3. Segment information (continued)

Information about reportable segments

31 December 2021	**Retail, Fuels and Marketing**	**Refining**	**Corporate**	**Total Segments**
	$M	**$M**	**$M**	**$M**
Segment revenue:				
Total segment revenue	15,900.0	4,842.0	-	20,742.0
Inter-segment revenue	-	(4,842.0)	-	(4,842.0)
External segment revenue	**15,900.0**	**-**	**-**	**15,900.0**
Gross Profit	1,340.7	285.3	-	1,626.0
Net inventory gain	113.7	12.9	-	126.6
Gross Profit	**1,454.4**	**298.2**	**-**	**1,752.6**
Profit/(loss) before interest, tax, depreciation and amortisation	822.9	124.5	(20.1)	927.3
Interest income	-	-	1.9	1.9
Depreciation and amortisation expenses	(328.6)	(63.3)	(2.8)	(394.7)
Finance costs	(184.8)	(3.6)	(2.7)	(191.1)
Segment profit/(loss) before tax expense	**309.5**	**57.6**	**(23.7)**	**343.4**
Other material items:				
Capital expenditure	81.6	103.5	-	185.1

31 December 2020	**Retail, Fuels and Marketing**	**Refining**	**Corporate**	**Total Segments**
	$M	**$M**	**$M**	**$M**
Segment revenue:				
Total segment revenue	12,409.9	2,854.7	-	15,264.6
Inter-segment revenue	-	(2,854.7)	-	(2,854.7)
External segment revenue	**12,409.9**	**-**	**-**	**12,409.9**
Gross Profit	1,273.2	53.8	-	1,327.0
Net inventory loss	(198.9)	(57.7)	-	(256.6)
Gross Profit	**1,074.3**	**(3.9)**	**-**	**1,070.4**
Profit/(loss) before interest, tax, depreciation and amortisation	473.5	(184.3)	98.6	387.8
Interest income	-	-	4.4	4.4
Depreciation and amortisation expenses	(311.2)	(74.8)	(2.8)	(388.8)
Finance costs	(183.6)	(3.6)	(2.7)	(189.9)
Segment profit/(loss) before tax expense	**(21.3)**	**(262.7)**	**97.5**	**(186.5)**
Other material items:				
Capital expenditure	37.7	119.7	-	157.4

4. Earnings per share

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

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

(a) Basic earnings per share	**2021**	**2020**
	Cents	**Cents**
Total basic earnings per share attributable to the ordinary equity holders of the Group	14.6	(1.9)

(b) Diluted earnings per share	**2021**	**2020**
	Cents	**Cents**
Total diluted earnings per share attributable to the ordinary equity holders of the Group	14.5	(1.9)

(c) Weighted average number of shares used as the denominator	**2021**	**2020**
	Number	**Number**
Weighted number of ordinary shares used as the denominator in calculating basic earnings per share	1,593,579,427	1,865,755,543
Adjustments for calculation of weighted diluted earnings per share:		
Options	10,378,108	8,206,118
Weighted number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	1,603,957,535	1,873,961,661

(d) Information concerning the classification of securities

Ordinary Shares

Ordinary shares at 31 December 2021 of 1,551,490,462 represent the 1,944,535,168 shares listed on the ASX as part of the IPO on 13 July 2018, adjusted for the reduction of 357,722,143 ordinary shares as a result of share consolidations undertaken by the Group in 2020 and 2021, and further reductions of 35,322,563 ordinary shares through 2020 and 2021 share buy-back activities.

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

Options and Rights

Options and rights granted to employees are considered to be potential ordinary shares. They have been included in the determination of diluted earnings per share if the exercise price of the options is lower than the listed share price of Group shares as at 31 December 2021 or if it is considered likely that performance conditions in relation to the rights will be achieved. The options and rights have not been included in the determination of basic earnings per share. Details relating to the options and rights are set out in Note 33 *Related party disclosures*.

Working capital and cash flow

5. Inventories

	2021	2020
	$M	**$M**
Crude for processing	235.6	141.2
Hydrocarbon finished products	910.8	526.6
	1,146.4	**667.8**
Stores and spare parts	33.1	31.0
Total inventories	**1,179.5**	**698.8**

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.

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

Impairment of inventories is recognised when net realisable value falls below carrying cost. This primarily occurs as a result of movements in crude oil and refined product prices between the date of purchase and balance date, and is recorded in net inventory gain/(loss) in the consolidated statement of profit or loss. No inventory impairment was recognised during the year (2020: nil).

6. Cash and cash equivalents

	2021	2020
	$M	**$M**
Cash at bank per consolidated statement of financial position	**96.7**	**49.1**

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 (2020: nil).

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

	2021	2020
	$M	$M
Profit/(Loss)	**232.9**	**(36.2)**
Adjustments for:		
Net loss/(gain) on disposal of property, plant and equipment	0.4	(5.5)
Net profit on sale of investment	-	(113.9)
Depreciation and amortisation	173.1	172.6
Depreciation of right-of-use assets	221.6	216.2
Non-cash interest and amortisation on long term loans	7.0	7.9
Non-cash loss on remeasurement of investment	-	7.4
Unrealised (gain)/loss on derivatives	(17.6)	0.6
Unrealised foreign exchange movements	14.3	10.2
Share of associate's profit not received as dividends or distributions	(0.6)	(10.6)
Non-cash employee share option taken up in reserves	8.1	10.9
Non-cash treasury shares granted to employees	0.8	1.1
Non-cash gain on early termination of leases	(1.0)	-
Non-cash tax expense relating to IPO transaction cost offset against IPO reserve	-	1.0
Net cash flows from operating activities before movements in assets/liabilities	**639.0**	**261.7**
Movements in assets and liabilities:		
Working capital balances		
(Increase)/decrease in receivables	(502.3)	456.3
(Increase)/decrease in inventories	(480.8)	497.9
Increase/(decrease) in payables	801.3	(859.6)
Other		
(Increase)/decrease in other assets	(12.3)	6.0
Decrease/(increase) in deferred tax assets	17.5	(158.3)
Decrease in post-employment benefits	2.8	3.0
Decrease in tax asset	55.2	10.2
Increase/(decrease) in provisions	10.3	(6.9)
Net cash flows from operating activities	**530.7**	**210.3**

Movements in the assets and liabilities in the comparative 2020 period were adjusted for the assets and liabilities transferred from Westside Petroleum Pty Ltd which was acquired on 31 August 2020, as well as elimination of intercompany balances due to the acquisition.

8. Trade and other receivables

	2021	2020
	$M	$M
Trade receivables		
Trade receivables	1,157.2	658.5
Allowance for impairment of receivables	(5.5)	(5.1)
Total trade receivables	**1,151.7**	**653.4**
Other receivables		
Receivables from related parties (Note 33)	17.6	12.3
Receivables from associates	36.4	39.5
Loan to associates	-	13.7
Finance lease receivables (Note 12)	1.4	1.1
Other debtors	86.0	74.1
Total other receivables	**141.4**	**140.7**
Total trade and other receivables	**1,293.1**	**794.1**

8. Trade and other receivables (continued)

Trade receivables

Trade receivables are non-interest-bearing and are generally on terms of 15 to 45 days. Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade receivables are recognised initially at fair value and are held with the objective to collect the contractual cash flows, and therefore subsequently measured at amortised cost using the effective interest method. Due to the short term maturity, the carrying amount approximates the fair value. Periodically, the Group enters into factoring arrangements on specific trade receivable balances as part of their overall collections strategy. At 31 December 2021 there were no outstanding trade receivables subject to factoring (2020: nil).

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

The loss allowance as at 31 December 2021 was determined as follows for trade receivables:

31 December 2021	Total	Current	Not more than 30 days past due	More than 30 days but not more than 60 days past due	More than 60 days but not more than 90 days past due	More than 90 days but not more than 120 days past due	More than 120 days past due
	$M	$M	$M	$M	$M	$M	$M
Expected loss rate		0.1%	1.0%	2.0%	5.0%	10.0%	30.0%
Gross carrying amount – trade receivables	**1,157.2**	1,136.5	5.2	1.8	0.7	0.0	13.0
Loss allowance	**(5.5)**	(1.3)	(0.1)	(0.1)	(0.1)	(0.0)	(3.9)

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

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

	2021	2020
	$M	$M
Opening loss allowance as at 1 January	(5.1)	(4.2)
Increase in loss allowance recognised in profit or loss during the year	(1.5)	(1.3)
Receivables written off as uncollectible	1.1	0.9
Amount recognised as a result of acquisitions	-	(0.5)
Closing loss allowance At 31 December	**(5.5)**	**(5.1)**

8. Trade and other receivables (continued)

Trade receivables (continued)

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

Other receivables

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

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

9. Prepayments

	2021	2020
	$M	**$M**
Prepayments	**28.0**	**27.6**

Prepayments primarily relate to prepaid council rates, insurance and shipping related costs. In addition, as at 31 December 2021 the Group continues to recognise a $7.5 million (2020: $7.5 million) prepayment to the State Revenue Office relating to the stamp duty contingency outlined in note 18 *Commitments and contingencies*.

10. Trade and other payables

	2021	2020
	$M	**$M**
Trade payables	806.5	507.8
Amounts due to related parties	1,339.1	821.7
Amounts due to associates	0.1	0.1
Total trade and other payables	**2,145.7**	**1,329.6**

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

Long-term assets and liabilities

11. Property, plant and equipment

	Construction in progress	Freehold land	Freehold buildings	Plant and equipment	Total
	$M	$M	$M	$M	$M
As at 1 January 2020					
Opening net book value	**171.0**	**115.9**	**149.7**	**1,038.2**	**1,474.8**
Acquisition of Westside Petroleum	-	-	-	6.0	6.0
Additions	155.4	6.8	-	3.2	165.4
Disposals	-	(7.4)	(1.5)	(8.2)	(17.1)
Depreciation	-	-	-	(140.2)	(140.2)
Change of ARO discount / inflation rate	-	-	-	4.5	4.5
Transfers*	(209.9)	3.5	8.3	182.8	(15.3)
As at 31 December 2020	**116.5**	**118.8**	**156.5**	**1,086.3**	**1,478.1**
Cost	116.5	118.8	213.8	1,671.6	2,120.7
Accumulated Depreciation	-	-	(57.3)	(585.3)	(642.6)
Balance as above	**116.5**	**118.8**	**156.5**	**1,086.3**	**1,478.1**
Assets held for sale	-	(2.7)	-	(0.2)	(2.9)
Property, plant and equipment	**116.5**	**116.1**	**156.5**	**1,086.1**	**1,475.2**
As at 1 January 2021					
Opening net book value	**116.5**	**118.8**	**156.5**	**1,086.3**	**1,478.1**
Additions	182.3	0.9	0.3	6.6	190.1
Disposals	-	(3.1)	(0.9)	(3.6)	(7.6)
Depreciation	-	-	(11.0)	(129.4)	(140.4)
Change of ARO discount / inflation rate	-	-	-	0.2	0.2
Transfers**	(109.2)	(1.6)	(8.3)	117.5	(1.6)
As at 31 December 2021	**189.6**	**115.0**	**136.6**	**1,077.6**	**1,518.8**
Cost	189.6	115.0	213.5	1,759.9	2,278.0
Accumulated Depreciation	-	-	(76.9)	(682.3)	(759.2)
Balance as above	**189.6**	**115.0**	**136.6**	**1,077.6**	**1,518.8**
Assets held for sale	-	(1.4)			(1.4)
Property, plant and equipment	**189.6**	**113.6**	**136.6**	**1,077.6**	**1,517.4**

**Net transfers of $15.3 million in 2020 represents $4.5 million in software transferred out from construction in progress to intangibles and assets under lease transferred to Right of Use assets.*
***Net transfers of $1.6 million in 2021 represents $2.2 million in software transferred out from construction in progress to intangibles, offset by $0.6 million in as reclassifications.*

Property, plant and equipment additions during the year includes $36.2 million in major maintenance spend undertaken at the refinery (2020: $92.3 million).

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

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

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

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. The process of identifying the minimum operating stock volume estimate involves calculations in consultation with engineers responsible for the Groups refining, supply and distribution operations. Minimum operating stock is valued at cost.

Assets held for sale

The Group has a number of in use property, plant and equipment assets that are classified as held for sale from continuing operations. As at 31 December 2021, these assets totalling $1.4 million comprised mainly retail assets (2020: $2.9 million) and meet the AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* classification requirements.

Refining assets

During the current period the Australian Federal Government implemented a long-term Fuel Security Package to support and enhance the long-term viability of Australia's refining industry. The payment support provided to the Group will run until at least 30 June 2028, with the Group having the option to extend the support until at least 30 June 2030. The payment support structure has been designed to protect earnings during periods of low refining margins, providing for more certain and reliable cash flow. In a cap and collar approach, the payment will commence when the relevant margin marker falls below $10.20 per oil barrel (bbl). The support will increase from 0 cents per litre (cpl) to 1.8 cpl (or $0.0/bbl to $2.90/bbl), on a linear basis until the support caps at the margin marker level of $7.30/bbl. Below this margin level, full support at 1.8 cpl ($2.90/bbl) will be provided. To receive this support, the Group has committed to continue its refining operations over the support period.

The Group's property, plant and equipment includes refining assets with a net book value of $426.2 million as at 31 December 2021. In line with AASB 136 *Impairment of assets* the refining assets have been subject to an assessment as to whether any indication of asset impairment exists. In 2020 impairment triggers were identified amidst globally suppressed oil prices contributing to a challenging environment for the refinery. In assessing the refinery at year-end 2021, with the introduction of the Governments Fuel Security Package designed to underpin the financial viability of the refinery and its asset base, and a more favourable present and future economic outlook for the refining industry, the assessment concluded that no impairment triggers were identified in relation to the refining assets.

12. Leases

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

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

	2021	2020
Right-of-use-assets	**$M**	**$M**
Retail sites	2,000.1	2,111.9
Supply & Distribution sites	151.0	173.6
Corporate Offices	33.5	35.6
Motor Vehicles	0.2	0.4
Total right-of-use assets	**2,184.8**	**2,321.5**

Net additions and transfers to right-of-use assets during the year were $84.9 million (2020: $209.6 million). These additions were offset by depreciation expense of $221.6 (2020: $216.2 million).

	2021	2020
Lease liabilities	**$M**	**$M**
Current	149.4	135.9
Non-current	2,331.1	2,398.4
Total lease liabilities	**2,480.5**	**2,534.3**

12. Leases (continued)

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

	2021	2020
Finance lease receivable	**$M**	**$M**
Current	1.4	1.1
Non-current	6.9	7.3
Total finance lease receivable	**8.3**	**8.4**

Finance lease receivables are disclosed within Trade and other receivables in the consolidated statement of financial position.

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

	2021	2020
	$M	**$M**
Depreciation charge of right-of-use assets		
Retail sites	189.7	181.1
Supply & Distribution sites	28.8	31.8
Corporate Offices	2.8	2.8
Motor Vehicles	0.3	0.5
Total depreciation charge for right-of-use assets	**221.6**	**216.2**
Interest expense (included within finance costs)	**173.3**	**171.0**
Expense relating to short-term leases, leases of low-value assets and variable lease related payments not included in leases above.	**6.2**	**11.8**

The total cash outflow for leases for the year amounted to $311.0 million (2020: $295.8 million).

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

Group as a lessee

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

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

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

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

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

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

12. Leases (continued)

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

Group as a lessee (continued)

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

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

Group as a lessor

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

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

The acquisition of Westside Petroleum in 2020 added to the Group a number of sublease arrangements considered finance leases in accordance with AASB16 *Leases*. As at 31 December 2021, finance leases have raised a current finance lease receivable of $1.4 million (2020: $1.1 million) and a non-current finance lease receivable of $6.9 million (2020: $7.3 million), which are included in the consolidated statement of financial position under trade an other receivables and long-term receivables respectively.

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

	2021	2020
	$M	**$M**
Within one year	172.0	174.4
After one year but not more than five years	553.2	597.5
More than five years	493.3	600.1
Total	**1,218.5**	**1,372.0**

13. Long-term receivables

	2021	2020
	$M	**$M**
Receivables	6.9	9.3
Loans to equity-accounted investees	26.8	17.0
Lease Receivables (Note 12)	6.9	7.3
Total non-current receivables	**40.6**	**33.6**

14. Financial assets held at fair value through other comprehensive income

	2021	2020
	$M	**$M**
Equity securities	9.2	-
Total financial assets held at fair value through other comprehensive income	**9.2**	**-**

In 2021, the Group purchased public securities in Waga Energy SA and Hyzon Motors Inc. In line with accounting standard requirements, after initial recognition any subsequent valuation measurements are recorded through other comprehensive income.

15. Long-term payables

	2021	2020
	$M	$M
Coles Express long-term payable	96.8	94.3
Total non-current payables	**96.8**	**94.3**

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

16. Goodwill and other intangible assets

	Goodwill	Software	Customer contracts	Joint venture rights	Other	Total
	$M	$M	$M	$M	$M	$M
Net book value						
As at 1 January 2020	**320.6**	**48.1**	**27.5**	**132.3**	**128.5**	**657.0**
Acquisition of Westside Petroleum	19.2	0.1	-	-	-	19.3
Additions	-	1.1	-	-	-	1.1
Transfers	-	4.5	-	-	-	4.5
Adjustment on finalisation of Liberty business combination	(2.8)	-	-	-	-	(2.8)
Amortisation for the year	-	(5.9)	(4.9)	(7.6)	(14.0)	(32.4)
As at 31 December 2020	**337.0**	**47.9**	**22.6**	**124.7**	**114.5**	**646.7**
Cost	337.0	60.0	50.0	152.1	139.9	739.0
Accumulated amortisation	-	(12.1)	(27.4)	(27.4)	(25.4)	(92.3)
As at 31 December 2020	**337.0**	**47.9**	**22.6**	**124.7**	**114.5**	**646.7**
As at 1 January 2021	**337.0**	**47.9**	**22.6**	**124.7**	**114.5**	**646.7**
Additions	5.3	-	-	-	-	5.3
Transfers	-	2.2	-	-	-	2.2
Amortisation for the year	-	(7.9)	(3.2)	(7.5)	(14.1)	(32.7)
As at 31 December 2021	**342.3**	**42.2**	**19.4**	**117.2**	**100.4**	**621.5**
Cost	342.3	62.2	50.0	152.1	139.9	746.5
Accumulated amortisation	-	(20.0)	(30.6)	(34.9)	(39.5)	(125.0)
As at 31 December 2021	**342.3**	**42.2**	**19.4**	**117.2**	**100.4**	**621.5**

(a) Goodwill

Goodwill arises when the fair value of the consideration paid for a business acquisition exceeds the fair value of the identifiable assets and liabilities acquired. Where consideration is less than the fair value of acquired net assets, the difference is recognised immediately in the consolidated statement of profit and loss. Goodwill is not amortised and is measured at cost less any impairment losses. In accordance with Australian accounting standard requirements, goodwill is allocated to a Cash-Generating Unit (CGU) and is tested for impairment annually and whenever there is an indication that it may be impaired. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment in the associate. A CGU level summary of the goodwill allocation is presented below.

	2021	2020
	$M	$M
Marketing and Supply	342.3	337.0
Refining	-	-
Total goodwill recognised	**342.3**	**337.0**

16. Goodwill and other intangible assets (continued)

(a) Goodwill (continued)

Goodwill represents other intangible assets that did not meet the criteria for recognition as separately identifiable assets. Goodwill allocated to the Marketing and Supply CGU relates to the acquisition of Shell Aviation in 2017, the acquisition of Liberty Oil Holdings Pty Ltd in 2019, the Westside Petroleum Pty Ltd acquisition in 2020 and some small acquisitions in 2021.

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

Key assumptions in the value-in-use calculation

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

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

There were no goodwill impairment losses recognised during the year ended 31 December 2021 (2020: nil).

(b) Other intangibles

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

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

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

(i) Software

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

(ii) Customer contracts and joint venture rights

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

16. Goodwill and other intangible assets (continued)

(b) Other intangibles (continued)

(iii) Other

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

17. Provisions

	Employee benefits	Restructuring Provision	Asset retirement obligation	Environ-mental remediation	Other	Total
	$M	$M	$M	$M	$M	$M
At 1 January 2021	**72.7**	**0.8**	**99.7**	**40.1**	**12.7**	**226.0**
Additions / (write-back)	41.6	3.5	(0.7)	4.2	1.2	49.8
Utilised	(26.7)	(4.3)	(1.7)	(8.9)	(1.3)	(42.9)
Unwinding	1.1	-	1.7	-	-	2.8
Change of discount / inflation	-	-	3.2	0.4	-	3.6
Transfers*	-	-	(7.7)	7.7	-	-
At 31 December 2021	**88.7**	**-**	**94.5**	**43.5**	**12.6**	**239.3**
Current	85.0	-	17.0	31.2	9.9	**143.1**
Non-current	3.7	-	77.5	12.3	2.7	**96.2**

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

**In 2021 $7.7 million of asset retirement obligation provisions were reclassified to environmental remediation provisions as a result of a classification reassessment.*

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.

17. Provisions (continued)

(a) Employee benefits

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

Liabilities for long service leave and annual leave that are not expected to be settled within 12 months of the end of the year are measured at present value. In determining present value, consideration is given to the expected future wage and salary levels, expectations of employee departures and periods of service. Expected future payments are adjusted for future wage and inflation movement expectations, and discounted using market yields of corporate bonds. As required by accounting standards, these obligations are presented as current liabilities in the consolidated statement of financial position if the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period, regardless of when the actual settlement is expected to occur. However, based on past experience, the Group does not expect the full $85.0 million current employee benefits liability to be taken or paid out within the next 12 months. The following amounts reflect current leave obligations that are not expected to be taken or paid in the next 12 months.

	2021 $M	2020 $M
Current Employee benefits liability expected to settle after 12 month	49.2	51.5

(b) Asset retirement obligation – significant estimate

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

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

The Group has recognised a provision associated with plant and equipment including tanks at retail service station sites and fuel storage terminals. In determining the provision, assumptions and estimates are made in relation to discount rates, the expected cost to dismantle and remove the assets from the site and the expected timing of those costs. The carrying amount of the provision as at 31 December 2021 was $94.5 million (2020: $99.7 million). The Group estimates that the costs would be incurred upon lease expiry and subsequent exit of the relevant site.

As disclosed in note 12 *Leases*, the Group's rental contracts are typically for 2 to 15 years but may have extension options.

(c) Environmental provision – significant estimate

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

Where environmental impact studies have been completed, the result of this is used to estimate the cost of site remediation. In other cases, estimates are based on management experience of remediation at similar sites.

The Group has environmental provisions relating to various supply and distribution sites including the Clyde import terminal, which once operated as a refinery, and various owned retail sites. The carrying amount of the provision as at 31 December 2021 was $43.5 million (2020: $40.1 million). The environmental remediation work provided for is expected to be undertaken within the next three years.

(d) Other provisions

Other provisions include costs associated with the removal of contents and cleaning of tanks in preparation for demolition, and provisions against legal claims.

18. Commitments and contingencies

(a) Capital commitments

At 31 December 2021, the Group had capital expenditure contracted at the reporting date but not recognised as liabilities related to property, plant and equipment totalling $30.5 million (2020: $25.0 million). There are no capital commitments from associate companies at the end of the period, therefore the included amount from associates in the Group's overall amount is nil (2020: nil).

(b) Guarantees

As at 31 December 2021, guarantees amounting to $55.9 million (2020: $48.2 million) have been given in respect of the Group's share of workers compensation, surety for major contracts and other matters including government works.

Under the terms of the Deed of Cross Guarantee entered in accordance with ASIC Instrument 2016/785, each Australian Group entity guarantees to each creditor payment in full of any debt in accordance with the Deed. Parties to the deed are identified in Note 31 *Deed of cross guarantee*. No liabilities have been recognised in the consolidated statement of financial position in respect of financial guarantee contracts.

(c) Contingencies and other disclosures

As at 31 December 2021, the Group has contingent liabilities of $13.8 million primarily related to legal matters that management consider it not probable that a present obligation exists (2020: $50.6 million).

Subsequent to 31 December 2021, a $31.2 million contingent liability that has been disclosed in the financial statements since 2018, relating to a stamp duty claim from the Victorian State Revenue Office, was reduced to nil. Refer to Note 35 *Events occurring after the reporting period*.

Capital funding and financial risk management

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

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

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

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

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

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2021 and 2020.

19. Financial assets and liabilities

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

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

	Notes	2021	2020
Financial assets		**$M**	**$M**
Financial assets held at amortised cost			
Trade and other receivables	8	1,293.1	794.1
Long-term receivables	13	40.6	33.6
Cash and cash equivalents	6	96.7	49.1
Financial assets at fair value through profit and loss			
Derivative assets	20	6.8	-
Financial assets at fair value through other comprehensive income			
Equity securities	14	9.2	-
		1,446.4	**876.8**
Financial liabilities			
Financial liabilities held at amortised cost			
Trade and other payables	10	2,145.7	1,329.6
Long-term borrowings	21	191.9	153.3
Lease liabilities	12, 22	2,480.5	2,534.3
Long term payables	15	96.8	94.3
Financial liabilities at fair value through profit and loss			
Derivative liabilities	20	8.6	19.4
		4,923.5	**4,130.9**

Financial assets

(a) Initial recognition and subsequent measurement

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

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

19. Financial assets and liabilities (continued)

Financial assets

(a) Initial recognition and subsequent measurement (continued)

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

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

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

(i) Amortised cost

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

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

The Group measures financial assets at FVOCI if the financial asset is held within a business model to collect contractual cash flows and for selling the financial assets, where those cash flows represent solely payments of principal and interest. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains and losses, interest income and foreign exchange gains and losses, which are recognised in the consolidated statement of profit or loss. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss. The Group however can make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured through profit or loss to present all subsequent changes, with the exception of dividends, in FVOCI, including upon derecognition. In 2021 the Group purchased public securities in Waga Energy SA and Hyzon Motors Inc, and on initial recognition of these financial assets elected to recognise any subsequent measurement at FVOCI.

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

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

(b) Derecognition

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

(c) Impairment of financial assets

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

19. Financial assets and liabilities (continued)

Financial Liabilities

(a) Initial recognition and subsequent measurement

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

(i) Amortised cost

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

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

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

(b) Derecognition

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

20. Derivative assets and liabilities

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

	2021	2020
	$M	$M
Derivative assets	6.8	-
Derivative liabilities	(8.6)	(19.4)

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

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

21. Long-term borrowings

	2021	2020
	$M	$M
Long-term bank loans	195.0	155.0
Net capitalised borrowing costs on long-term bank loans	(3.1)	(1.7)
Total non-current borrowings	**191.9**	**153.3**

On 14 April 2021, the Group refinanced its US$700 million syndicated, revolving credit facility, expiring on 14 April 2024 with a 1-year extension option. The facility is unsecured with terms and conditions consistent with the previous facility held in the comparative period.

At the end of the reporting period, the Group had access to the unsecured facility limit amounting to $964.7 million (2020: $908.9 million unsecured) that was in place primarily for working capital purposes. The amount drawn at 31 December 2021 is $195.0 million (2020: $155.0 million). The weighted average interest rate on long-term bank loans in 2021 was 1.43% (2020: 1.47%).

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

22. Consolidated net debt

	2021	2020
	$M	$M
Net debt		
Cash and cash equivalents	96.7	49.1
Borrowings – repayable after one year	(191.9)	(153.3)
Net debt excluding lease liabilities	**(95.2)**	**(104.2)**
Lease liabilities – repayable within one year	(149.4)	(135.9)
Lease liabilities – repayable after one year	(2,331.1)	(2,398.4)
Net debt including lease liabilities	**(2,575.7)**	**(2,638.5)**

	Other assets	**Liabilities from financing activities**				
Analysis of changes in consolidated net debt	**Cash / overdrafts**	**Leases due within 1 year**	**Leases due after 1 year**	**Borrowings due within 1 year**	**Borrowings due after 1 year**	**Total**
	$M	**$M**	**$M**	**$M**	**$M**	**$M**
Net debt as at 1 January 2020	**127.2**	**(128.0)**	**(2,320.3)**	**(7.7)**	**(256.9)**	**(2,585.7)**
Balances acquired on acquisition	(1.0)	(3.7)	(81.6)	(2.2)	-	(88.5)
Cash flows	(77.1)	124.8	-	9.9	105.0	162.6
Other non-cash movements		(129.0)	3.5	-	(1.4)	(126.9)
Net debt as at 31 December 2020	**49.1**	**(135.9)**	**(2,398.4)**	**-**	**(153.3)**	**(2,638.5)**
Cash flows	47.6	137.7	-	-	(40.0)	145.3
Other non-cash movements		(151.2)	67.3	-	1.4	(82.5)
Net debt as at 31 December 2021	**96.7**	**(149.4)**	**(2,331.1)**	**-**	**(191.9)**	**(2,575.7)**

23. Contributed equity and reserves

(a) Contributed Equity

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

23. Contributed equity and reserves (continued)

	2021	2020
	$M	$M
Issued and paid up capital	4,252.5	4,373.9
Cost per share	$2.741	$2.720

Movements in ordinary share capital	**Shares**	**$M**
At 1 January 2020	1,944,535,168	4,861.3
Buy back of shares, net of tax	(27,397,847)	(72.3)
Capital return to shareholders	-	(415.1)
Share consolidation	(309,498,674)	-
At 31 December 2020	**1,607,638,647**	**4,373.9**
At 1 January 2021	1,607,638,647	4,373.9
Buy back of shares, net of tax	(7,924,716)	(21.7)
Capital return to shareholders		(99.7)
Share consolidation	(48,223,469)	-
At 31 December 2021	**1,551,490,462**	**4,252.5**

Share buy-back

During the period the Company purchased, and subsequently cancelled, 7,924,716 ordinary shares (2020: 27,397,847) on market as part of the Company's buy-back program. The cancellation of the shares has been treated as a reduction in share capital of $21.7 million (2020: $72.3 million), with the $3.7 million (2020: $22.0 million) difference between the par value of the purchased shares and the buy-back price being recorded against the Company's Capital redemption reserve. The total value of the share buy-back during the period was $18.0 million (2020: $50.3 million).

Share consolidation

In 2021, the Group's capital management initiatives included a capital return to shareholders of $99.7 million (2020: $415.1 million). A share consolidation was then undertaken commensurate with the overall return to shareholders, reducing the number of ordinary shares by 48,223,469 (2020: 309,498,674).

(b) Treasury shares

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

Movements in treasury shares	**Shares**	**$M**
At 1 January 2020	7,281,531	14.2
Acquisition of treasury shares (average price: $1.43 per share)	6,545,012	9.3
Transfer of shares to employees	(8,162,883)	(15.7)
Capital return to shareholders	-	(1.0)
Share consolidation	(792,000)	-
At 31 December 2020	**4,907,660**	**6.8**
At 1 January 2021	**4,907,660**	**6.8**
Acquisition of treasury shares (average price: $2.20 per share)	4,269,221	9.4
Transfer of shares to employees	(2,510,384)	(3.2)
Capital return to shareholders	-	(0.3)
Share consolidation	(154,805)	-
At 31 December 2021	**6,511,692**	**12.7**

23. Contributed equity and reserves (continued)

(c) Reserves

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

	Post employment benefits reserve	Share Based Payment reserve	IPO reserve	Cash flow hedge reserve	Capital Redemption Reserve	Equity Investment Revaluation Reserve	Total
	$M	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**
At 1 January 2020	5.6	(7.1)	(4,238.7)	(6.3)	-	-	(4,246.5)
Share-based payment expenses, net of tax	-	11.0	-	-	-	-	11.0
Contributions from employees	-	6.5	-	-	-	-	6.5
Issue of shares to employees	-	(14.2)	-	-	-	-	(14.2)
Movement in IPO reserve	-	-	1.0	-	-	-	1.0
Remeasurement of retirement benefit obligations	(2.4)	-	-	-	-	-	(2.4)
Other comprehensive income recycled on sale of investment	-	-	-	6.3	-	-	6.3
Share buy-back	-	-	-	-	22.0	-	22.0
Capital Return	-	-	-	-	(0.3)	-	(0.3)
At 31 December 2020	**3.2**	**(3.8)**	**(4,237.7)**	**-**	**21.7**	**-**	**(4,216.6)**
Share-based payment expenses, net of tax		8.2	-	-	-	-	8.2
Issue of shares to employees	-	(2.7)	-	-	-	-	(2.7)
Remeasurement of retirement benefit obligations	6.5	-	-	-	-	-	6.5
Share buy-back	-	-	-	-	3.7	-	3.7
Capital Return	-	-	-	-	(0.2)	-	(0.2)
Changes in the fair value of equity investments at fair value through other comprehensive income	-	-	-	-	-	(0.6)	(0.6)
At 31 December 2021	**9.7**	**1.7**	**(4,237.7)**	**-**	**25.2**	**(0.6)**	**(4,201.7)**

Capital Redemption Reserve

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

24. Dividends declared and paid

	2021	2020
Dividends determined and paid during the year	**$M**	**$M**
Fully franked dividend relating to the prior period	-	50.6
Interim fully franked dividend	65.9	15.5
Special dividend		114.9
Dividends determined and paid during the year	**65.9**	**181.0**

No final dividend was paid in the current period in relation to the previous year ended 31 December 2020 (2020: $50.6 million – 2.6 cents per share).

The Company paid an interim 2021 dividend of $65.9 million – 4.1 cents per share to shareholders on 23 September 2021 (2020: $15.5 million – 0.8 cents per share). This fully franked dividend was in relation to the six month period ended 30 June 2021.

Included in the $65.9 million of dividends determined and paid during the year was $0.2 million in dividends relating to treasury shares on hand during the year. The net impact of the total dividends on retained earnings amounted to $65.7 million.

There were no special dividends paid in the current period. In the previous period, a special dividend of $114.9 million, at $0.0594 per share was declared and paid.

In addition to the above dividend, since year end the Board has determined a final dividend of 3.2 cents per fully paid ordinary share (2020: nil) in relation to year ended 31 December 2021. The aggregate amount of the proposed dividend expected to be paid on 24 March 2022 out of retained earnings at 31 December 2021, but not recognised as a liability at year end, is $49.6 million.

Dividend franking account

The balance of the franking account of the Australian consolidated tax group, headed by Viva Energy Group Limited, is $2.9 million at 31 December 2021 (2020: $0.9 million) based on a tax rate of 30%.

25. Fair value of financial assets and liabilities

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

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

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

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

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

(a) Fair value measurement hierarchy for the Group

	Quoted in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	$M	**$M**	**$M**
31 December 2021			
Derivative assets	-	6.8	-
Derivative liabilities	-	(8.6)	-
Equity securities	9.2	-	-
Total at 31 December 2021	**9.2**	**(1.8)**	**-**
31 December 2020			
Derivative assets	-	-	-
Derivative liabilities	-	(19.4)	-
Total at 31 December 2020	**-**	**(19.4)**	**-**

There were no transfers between levels during the 2021 and 2020 years.

(b) Recognised fair value measurements

Equity securities

In 2021, the Group purchased public securities in Waga Energy SA and Hyzon Motors Inc. The fair value of these publicly traded securities is based on quoted market prices at the end of the reporting period.

Derivative assets and liabilities

The Group enters into derivative financial instruments with financial institutions with investment grade credit ratings. Foreign exchange forward contracts and commodity forward contracts are valued using valuation techniques, which employ the use of market observable inputs. As at 31 December 2021, the marked-to-market value of derivative asset positions is net of a credit valuation adjustment attributable to derivative counterparty default risk.

26. Financial risk management

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

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

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

26. Financial risk management (continued)

(a) Foreign exchange risk

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

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

The Group manages foreign currency risk by using foreign currency forward contracts to offset foreign exchange exposures. At 31 December 2021 and 2020, 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 2021, the total fair value of all outstanding foreign currency exchange forwards amounted to a $1.8 million net liability (2020: $19.4 million net liability).

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

	2021	**2020**
	$M	**$M**
USD denominated trade receivables (in AUD)	173.3	122.3
USD denominated trade payables (in AUD)	(1,409.3)	(1,070.5)
Net exposure	**(1,236.0)**	**(948.2)**
Effect in pre-tax profit		
AUD strengthens against USD by 10%	123.6	94.8
AUD weakens against USD by 10%	(123.6)	(94.8)

The Group has minimal exposure to other currencies (Euro, British Pound, Singapore Dollar, Papua New Guinea kina and Malaysian Ringgit) with total payable balances denominated in other currencies of $2.6 million at 31 December 2021 (2020: $0.8 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:

	2021	**2020**
	$M	**$M**
Financial assets		
Cash and cash equivalents	96.7	49.1
Loan to related party	26.8	30.7
Total financial assets	**123.5**	**79.8**
Financial liabilities		
Long-term bank loans	191.9	153.3
Total financial liabilities	**191.9**	**153.3**
Net exposure	**(68.4)**	**(73.5)**
Interest rates increase by 1%	(0.7)	(0.7)
Interest rates decrease by 1%	0.7	0.7

26. Financial risk management (continued)

(c) Liquidity risk

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

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

	No more than 1 year	More than 1 year but no more than 5 years	More than 5 years	Total
	$M	$M	$M	$M
31 December 2021				
Trade and other payables	2,145.7	-	-	2,145.7
Long term payables	-	-	114.2	114.2
Long-term bank loans	-	195.0	-	195.0
Derivative liabilities	8.6	-	-	8.6
Lease liabilities	312.7	1,256.7	2,082.8	3,652.2
Total at 31 December 2021	**2,467.0**	**1,451.7**	**2,197.0**	**6,115.7**
31 December 2020				
Trade and other payables	1,329.6	-	-	1,329.6
Long term payables	-	-	114.2	114.2
Long-term bank loans	-	155.0	-	155.0
Derivative liabilities	19.4	-	-	19.4
Lease liabilities	302.9	1,230.0	2,327.7	3,860.6
Total at 31 December 2020	**1,651.9**	**1,385.0**	**2,441.9**	**5,478.8**

The financial liabilities due within the next 12 month period amount to $2,467.0 million (2020: $1,651.9 million). The Group has current assets of $2,605.5 million (2020: $1,593.5 million) and a net current asset position of $124.5 million (2020: $13.4 million net current liability position). The Group has access to undrawn credit facilities of $796.7 million, in place primarily for working capital purposes, and is in a position to meet its financial liability obligations as and when they fall due.

(d) Commodity price risk

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

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

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

The Group manages commodity price exposure through the purchase or sale of swap contracts up to 36 months forward. No commodity price hedges were outstanding at 31 December 2021 and 2020.

26. Financial risk management (continued)

(d) Commodity price risk (continued)

Commodity price sensitivity analysis

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

	2021	2020
	$M	$M
Commodity prices decrease by 10%	4.4	3.7
Commodity prices increase by 10%	(4.0)	(3.4)

(e) Credit risk

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

Customer credit risk

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

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

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

Financial institution credit risk

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

Maximum exposure to credit risk

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

Taxation

27. Income tax and deferred tax

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

	2021	2020
	$M	$M
Accounting profit/(loss) before income tax expense	**343.4**	**(186.5)**
Tax at the Australian tax rate of 30%	(103.0)	56.0
Non-deductible transaction costs	(4.3)	(4.4)
Research and development expenditure	(0.4)	(0.2)
Sundry items	(0.1)	0.7
Adjustment relating to prior periods	(4.3)	0.6
Reversal of deferred tax liability on sale of REIT	-	112.3
Capital Gains adjustment on sale of REIT	-	(12.7)
Non-refundable carry forward tax offsets	1.6	0.2
Step acquisition of Westside Petroleum	-	(2.2)
Income tax (expense)/benefit for the period	**(110.5)**	**150.3**

(b) Income tax benefit/(expense)

	2021	2020
	$M	$M
Current tax (expense)/benefit	(92.9)	2.2
Deferred tax (expense)/benefit	(13.3)	160.2
Capital Gains adjustment on sale of REIT	-	(12.7)
Adjustment relating to prior periods	(4.3)	0.6
Income tax (expense)/benefit reported in the consolidated statement of profit or loss	**(110.5)**	**150.3**
Deferred income tax benefit included in income tax benefit/(expense) comprises:		
(Decrease)/increase in deferred tax assets	(52.8)	54.8
Decrease in deferred tax liabilities	42.8	105.4
Adjustment in deferred tax relating to prior periods	(3.3)	2.4
	(13.3)	**162.6**

Tax relating to items recognised in other comprehensive income or directly in equity rather than through the statement of profit or loss

	2021	2020
Deferred tax related to items recognised in other comprehensive income during the period:		
Remeasurement of defined benefit obligations	(2.8)	1.1
Remeasurement of equity investments in overseas entities	0.3	-
Deferred tax related to items recognised directly to equity during the period:		
Transaction costs recognised in equity	(4.2)	(3.9)
	(20.0)	**159.8**

27. Income tax and deferred tax (continued)

(c) Deferred tax

	2021 $M	2020 $M
Deferred tax assets		
The balance comprises combined temporary differences attributable to:		
Property, plant and equipment	88.8	100.6
Lease liabilities	744.1	760.3
Inventories	120.0	81.0
Asset retirement obligation	27.4	27.7
Employee benefits	26.3	24.0
Derivative contracts	-	3.3
Tax losses carried forward	3.4	70.8
Financial assets and investments	1.7	1.9
Other	4.6	7.5
Total deferred tax assets	1,016.3	1,077.1
Deferred tax liabilities		
The balance comprises combined temporary differences attributable to:		
Right-of-use assets	(657.9)	(699.0)
Intangible assets	(50.4)	(52.3)
Derivative contracts	(2.2)	-
Total deferred tax liabilities	**(710.5)**	**(751.3)**
Net deferred tax assets	**305.8**	**325.8**
Net deferred tax balances expected to be realised within 12 months	31.1	66.3
Net deferred tax balances expected to be realised after more than 12 months	274.7	259.5
	305.8	**325.8**

(d) Movements in deferred tax assets

2020 movements	Property, Plant and Equipment $M	Lease liabilities $M	Inventories $M	Asset retirement obligations $M	Employee benefits $M	Derivative contracts $M	Tax losses carried forward $M	Financial assets and investments $M	Other $M	Total $M
Balance at 1 January 2020	**123.0**	**722.4**	**108.4**	**28.4**	**22.4**	0.4	-	(110.8)	**15.8**	**910.0**
(Charged)/credited:										
Acquired in business combination	-	25.5	-	0.1	0.1	-	-	-	0.2	25.9
To profit or loss	(22.4)	12.4	(27.4)	(0.8)	0.4	2.9	-	0.4	(4.6)	(39.1)
Directly to equity	-	-	-	-	-	-	-	-	(3.9)	(3.9)
Disposal of REIT investment	-	-	-	-	-	-	-	112.3	-	112.3
Other comprehensive income	-	-	-	-	1.1	-	-	-	-	1.1
Current year tax loss and carried forward tax credits/offsets	-	-	-	-	-	-	70.8	-	-	70.8
Balance at 31 December 2020	**100.6**	**760.3**	**81.0**	**27.7**	**24.0**	**3.3**	**70.8**	**1.9**	**7.5**	**1,077.1**

2021 movements	Property, Plant and Equipment $M	Lease liabilities $M	Inventories $M	Asset retirement obligations $M	Employee benefits $M	Derivative contracts $M	Tax losses carried forward $M	Financial assets and investments	Other $M	Total $M
Balance at 1 January 2021	**100.6**	**760.3**	**81.0**	**27.7**	**24.0**	**3.3**	**70.8**	**1.9**	**7.5**	**1,077.1**
(Charged)/credited:										
To profit or loss	(11.8)	(16.2)	39.0	(0.3)	5.1	(3.3)	-	(0.2)	1.0	13.3
Directly to equity	-	-	-	-	-	-	-	-	(4.2)	(4.2)
Other comprehensive income	-	-	-	-	(2.8)	-	-	-	0.3	(2.5)
Current year tax loss and carried forward tax credits/offsets	-	-	-	-	-	-	(67.4)	-	-	(67.4)
Balance at 31 December 2021	**88.8**	**744.1**	**120.0**	**27.4**	**26.3**	**-**	**3.4**	**1.7**	**4.6**	**1,016.3**

27. Income tax and deferred tax (continued)

(e) Movements in deferred tax liabilities

2020 movements	**Right-of-use assets $M**	**Intangible assets $M**	**Total $M**
Balance at 1 January 2020	(690.5)	(53.5)	(744.0)
(Charged)/credited:			
Acquired in business combination	(25.6)	-	(25.6)
To profit and loss	17.1	1.2	18.3
Balance at 31 December 2020	**(699.0)**	**(52.3)**	**(751.3)**

2021 movements	**Derivative contracts $M**	**Right-of-use assets $M**	**Intangible assets $M**	**Total $M**
Balance at 1 January 2021	**-**	**(699.0)**	**(52.3)**	**(751.3)**
(Charged)/credited:				
To profit and loss	(2.2)	41.1	1.9	40.8
Balance at 31 December 2021	**(2.2)**	**(657.9)**	**(50.4)**	**(710.5)**

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

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

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

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

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

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

Tax Consolidation

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

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

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

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

Group structure

28. Group information

(a) Principles of consolidation

The consolidated financial statements comprise the financial statements of the Group and its material subsidiaries as at 31 December 2021. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

(b) Controlled entities

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

Name of entity	Country of incorporation/establishment	Equity holding 2021 %	Equity holding 2020 %
Viva Energy Holding Pty Ltd	Australia	100	100
Viva Energy Australia Group Pty Ltd	Australia	100	100
Viva Energy Australia Pty Ltd	Australia	100	100
Viva Energy Aviation Pty Ltd	Australia	100	100
Viva Energy Gas Pty Ltd	Australia	100	100
Viva Energy Refining Pty Ltd	Australia	100	100
Viva Energy Gas Australia Pty Ltd	Australia	100	100
VER Manager Pty Limited	Australia	100	100
ZIP Airport Services Pty Ltd	Australia	100	100
Viva Energy S.G. Pte Ltd	Singapore	100	100
Pacific Hydrocarbon Solutions Limited	Papua New Guinea	100	100
Liberty Oil Holdings Pty Ltd*	Australia	100	100
Deakin Services Pty Ltd*	Australia	100	100
Liberty Oil Affinity Pty Ltd*	Australia	100	100
Liberty Oil City Leasing Pty Ltd**	Australia	100	100
Liberty Oil Land Pty Ltd*	Australia	100	100
Liberty Oil Property Pty Ltd*	Australia	100	100
Tradeway Services Pty Ltd*	Australia	100	100
Liberty Oil (SA) Pty Ltd*	Australia	100	100
Liberty Oil (WA) Pty Ltd*	Australia	100	100
Liberty Oil Corporation Pty Ltd*	Australia	100	100
Liberty Oil Finance Pty Ltd*	Australia	100	100
Liberty Oil Wholesale (S) Pty Ltd*	Australia	100	100
Liberty Oil Express Pty Ltd*	Australia	100	100
Liberty Oil Australia Pty Ltd*	Australia	100	100
Westside Petroleum Consolidated Holdings Pty Limited**	Australia	100	100
Westside Petroleum Pty Ltd**	Australia	100	100
Westside Petroleum Wholesalers Pty Ltd**	Australia	100	100
Westside Petroleum Holdings Pty Ltd	Australia	100	100
Westside Petroleum BPM Pty Ltd**	Australia	100	100
Westside Petroleum Retail 1 Pty Limited**	Australia	100	100
Westside Petroleum Convenience Stores Pty Ltd**	Australia	100	100
Westside Petroleum CA Fuel Retail Pty Ltd**	Australia	100	100
Westside Petroleum Co Pty Ltd**	Australia	100	100

**Joined the Deed of Cross Guarantee on 13 December 2019. Refer to Note 31 Deed of cross guarantee for further detail.*

*** Joined the Deed of Cross Guarantee on 18 December 2020. Refer to Note 31 Deed of cross guarantee for further detail.*

28. Group Information (continued)

(c) Interests in associates

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

Name of entity	**Country of incorporation/establishment**	**Equity holding 2021 %**	**Equity holding 2020 %**
LOC Global Pty Ltd	Australia	50	50
Fuel Barges Australia Pty Ltd	Australia	50	50

Further details regarding these investments can be found in Note 29 *Interests in associates and joint operations.*

(d) Interests in joint operations

The Group has a 52% interest in W.A.G Pipeline Pty Ltd (2020: 52%), a 50% interest in Crib Point Terminal Pty Ltd (2020: 50%) and a 33% interest in Cairns Airport Refuelling Services Pty Ltd (2020: 33%). These are classified as joint operations under AASB 11 *Joint Arrangements*. Further details regarding these investments can be found in Note 29 *Interests in associates and joint operations*.

29. 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:

	2021	**2020**
	$M	**$M**
LOC Global Pty Ltd	16.0	15.4
Fuel Barges Australia Pty Ltd	-	-
Total investments accounted for using the equity method	**16.0**	**15.4**

LOC Global Pty Ltd

LOC Global Pty Ltd ('LOC Global') is a private entity that is based in Melbourne, Australia. The Group holds 50% equity holding in LOC Global (2020: 50%).

LOC Global had no other contingent liabilities or capital commitments as at 31 December 2021.

	2021	**2020**
Movement of LOC Global investment	**$M**	**$M**
Balance at the beginning of the year	15.4	15.5
Share of LOC Global profit/(loss)	0.6	(0.1)
	16.0	**15.4**

29. Interests in associates and joint operations (continued)

(a) Associates (continued)

Waypoint REIT

In the previous period the Group sold its 35.5% security holding (276,060,625 stapled securities) in Waypoint REIT. The sale contributed $113.9 million to the Group's pre-tax profit with net cash proceeds of $730.1 million after transaction costs. The Group no longer holds any securities in Waypoint REIT.

	2021	2020
Movement of Waypoint REIT investment	**$M**	**$M**
Balance at the beginning of the year	-	615.9
Dividends received	-	(19.8)
Share of Viva Energy REIT profit	-	13.7
Share of Viva Energy REIT OCI	-	-
Disposal of investment	-	(609.8)
Balance at end of year	**-**	**-**

Total share of losses in associates for the 2021 year amounted to $1.0 million (2020: $10.6 million profit). The prior year $113.9 million profit from the Waypoint REIT sale and offsetting $7.4 million business combination adjustment from the purchase of Westside are disclosed within the prior year net profit on sale of investments in the consolidated statement of profit or loss.

Aggregate summary information of associates

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

	2021	2020
	$M	**$M**
Current assets	35.4	72.4
Non-current assets	180.8	132.8
Current liabilities	(80.3)	(78.5)
Non-current liabilities	(131.9)	(115.0)
Net assets	**4.0**	**11.7**
Net assets – Group's share of investment	2.0	5.9
Adjustments resulting from the equity accounting method	14.0	9.5
Carrying amount of investments accounted for using the equity method	16.0	15.4
Revenue	760.9	577.3
Net profit from continuing operations	2.5	0.1
Net loss from associate acquired during the period	-	(5.8)
Net profit from associate disposed of during the period	-	38.4
Other comprehensive income	-	(1.6)
Total comprehensive income	2.5	36.8
Distributions received from equity accounted for investments	-	19.8

(b) Joint operations

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

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

The joint operations had no other contingent liabilities or capital commitments as at 31 December 2021 and 2020, except as disclosed in Note 18 *Commitments and contingencies*

30. Parent company financial information

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

	2021	2020
	$M	$M
Statement of financial position		
Current assets	336.2	-
Non-current assets	4,817.7	4,852.7
Current liabilities	(420.4)	(112.6)
Net assets	**4,733.5**	**4,740.1**
Contributed equity	4,252.5	4,373.9
IPO reserve	(70.3)	(70.3)
Employee share based payment reserve	1.6	(3.9)
Capital redemption reserve	25.4	21.8
Retained earnings	524.3	418.6
Total equity	**4,733.5**	**4,740.1**
Results		
Profit of the Company	171.6	594.7
Total comprehensive income of the Company	**171.6**	**594.7**

31. Deed of cross guarantee

As at 31 December 2021, the Company (as the Holding Entity) and all the controlled entities listed in Note 28(b) *Group information* (with the exception of Viva Energy S.G. Pte Ltd, Pacific Hydrocarbon Solutions Limited, Viva Energy Gas Australia Pty Ltd and Westside Petroleum Holdings Pty Ltd) are parties to a Deed of Cross Guarantee dated 14 December 2018 ('Deed').

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

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

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

31. Deed of cross guarantee (continued)

The aggregate assets and liabilities of the companies which are party to the Deed and the aggregate of their results for the period to 31 December 2021 and 2020 are set out below:

	2021	2020
	$M	$M
Revenue	**15,892.9**	**12,408.3**
Replacement cost of goods sold	(9,088.3)	(6,382.1)
Net inventory gain/(loss)	126.6	(256.6)
Sales duties, taxes and commissions	(4,965.5)	(4,426.6)
Import freight expenses	(220.0)	(274.0)
Historical cost of goods sold	**(14,147.2)**	**(11,339.3)**
Gross profit	**1,745.7**	**1,069.0**
Net gain on other disposal of property, plant and equipment	0.1	5.5
Net profit on sale of investments	-	106.4
Other income	56.1	24.9
Other income	**56.2**	**136.8**
Transportation expenses	(260.5)	(240.6)
Salaries and wages	(281.0)	(265.7)
General and administration expenses	(184.1)	(169.5)
Maintenance expenses	(103.1)	(91.7)
Lease related expenses	(6.3)	(11.8)
Sales and marketing expenses	(88.8)	(81.3)
	-	-
Results from operations	**878.1**	**345.2**
Interest income	1.3	4.2
Share of profit in associates	0.6	10.6
Realised/unrealised gain on derivatives	31.0	35.3
Net foreign exchanges loss	(17.7)	(23.9)
Depreciation and amortisation expenses	(387.9)	(386.4)
Finance costs	(184.2)	(187.0)
Profit/(loss) before income tax expense	**321.2**	**(202.0)**
Income tax(expense)/ benefit	(98.1)	156.3
Profit/(loss) after tax	**223.1**	**(45.7)**

31. Deed of cross guarantee (continued)

	2021 $M	2020 $M
ASSETS		
Current assets		
Cash and cash equivalents	96.2	47.4
Trade and other receivables	1,247.6	787.2
Inventories	1,179.0	698.4
Assets classified as held for sale	1.4	2.9
Derivative assets	6.8	-
Prepayments	27.5	27.2
Current tax assets	-	30.3
	2,558.5	**1,593.4**
Non-current assets		
Long-term receivables	35.9	28.4
Property, plant and equipment	1,508.7	1,465.6
Right-of-use assets	2,119.3	2,248.0
Goodwill and other intangible assets	621.5	646.6
Post-employment benefits	6.8	0.2
Investments accounted for using the equity method	16.0	15.4
Financial assets at fair value through other comprehensive income	9.2	-
Net deferred tax assets	304.7	324.8
Other non-current assets	1.2	2.1
	4,623.3	**4,731.1**
Total assets	**7,181.8**	**6,324.5**
LIABILITIES AND EQUITY		
Current liabilities		
Trade and other payables	2,160.9	1,376.8
Provisions	143.1	121.8
Short-term lease liabilities	145.2	132.2
Derivative liabilities	8.6	19.4
Current tax liabilities	33.4	-
	2,491.2	**1,650.2**
Non-current liabilities		
Provisions	93.5	101.3
Long-term borrowings	191.9	153.3
Long-term lease liabilities	2,253.6	2,315.4
Long-term payables	96.8	94.3
	2,635.8	**2,664.3**
Total liabilities	**5,127.0**	**4,314.5**
Net assets	**2,054.8**	**2,010.0**
Equity		
Contributed equity	4,248.3	4,369.7
Treasury shares	(12.7)	(6.8)
Reserves	(4,201.7)	(4,216.6)
Retained earnings	2,020.9	1,863.7
Total equity	**2,054.8**	**2,010.0**

Other disclosures

32. Post-employment benefits

(a) Superannuation plan

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

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

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

(b) Defined benefit superannuation - significant estimate

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

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

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

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

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

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

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

Amounts recognised in consolidated statement of financial position

	2021	2020
	$M	$M
Present value of defined benefit obligation	(81.6)	(93.4)
Fair value of defined benefit plan assets	88.4	93.6
Net defined benefit asset recognised in the consolidated statement of financial position	**6.8**	**0.2**

32. Post-employment benefits (continued)

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

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

	Present value of defined benefit obligation		Fair value of defined benefit plan assets	
	2021	**2020**	**2021**	**2020**
	$M	**$M**	**$M**	**$M**
Balance at 1 January	(93.4)	(98.5)	93.6	105.4
Current service cost	(3.5)	(3.9)	-	-
Net interest on the defined benefit (liability)/asset	(1.0)	(1.8)	1.0	1.8
Return on assets less interest income	-	-	3.4	(0.1)
Actuarial (loss) – change in demographic assumptions	-	(0.1)	-	-
Actuarial gain/(loss) – change in financial assumptions	5.6	(2.5)	-	-
Actuarial gain/(loss) – experience adjustments	0.3	(0.9)	-	-
Benefits paid	10.8	14.8	(10.8)	(14.8)
Employer contributions	-	-	0.8	0.8
Employee contributions	(0.4)	(0.5)	0.4	0.5
Balance at 31 December	**(81.6)**	**(93.4)**	**88.4**	**93.6**

Amounts recognised in consolidated statement of profit or loss

	2021	**2020**
	$M	**$M**
Amounts recognised in profit or loss		
Service cost	2.8	3.1
Member contributions	(0.3)	(0.4)
Plan expenses	1.1	1.2
Current service cost	**3.6**	**3.9**
Net interest on the new defined benefit liability/(asset)	-	(0.1)
Components of defined benefit cost recorded in profit or loss	**3.6**	**3.8**
Amounts recognised in other comprehensive income		
Remeasurement of the net defined benefit liability:		
Return on assets less interest income	(3.4)	0.1
Actuarial loss – change in demographic assumptions	-	0.1
Actuarial (gain)/loss – change in financial assumptions	(5.6)	2.4
Actuarial (gain)/loss – experience adjustments	(0.3)	0.9
Tax on remeasurement of defined benefit obligation	2.8	(1.1)
Components of defined benefit cost recorded in other comprehensive income	**(6.5)**	**2.4**

32. Post-employment benefits (continued)

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

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

	2021	2020
	$M	$M
Australian equities	7.4	8.4
International equities	10.6	12.2
Property	8.4	7.5
Fixed income bonds	52.7	37.4
Other	9.3	9.4
Cash	-	18.7
Total plan assets	**88.4**	**93.6**

The Group agreed to pay nil contributions to the plan in 2021 (2020: nil). The Group did pay contributions to cover administration expenses and premiums relating to the plan in 2021. The following payments are expected to be contributed to the defined benefit plan in future years:

	2021	2020
	$M	$M
Within the next 12 months	0.8	0.8
Between 2 and 5 years	2.6	3.8
Between 5 and 10 years	1.0	1.9
Beyond 10 years	0.1	0.3
Total expected payments	**4.5**	**6.8**

The average duration of the defined benefit plan obligation at the end of the reporting period is 5.2 years (2020: 5.9 years).

Actuarial assumptions

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

	2021	2020
	%	%
Discount rate	2.6	1.1
Expected rate of salary increases	2.5	2.0
Pension increase rate	2.0	1.8

Pensioner mortality has been assumed following the mortality under the Australian Life Tables 2015-17. Significant assumptions used to determine the present value of the defined benefit obligation are the discount rate and expected salary increases. The sensitivity analysis shown below has been based on reasonable possible changes of the assumptions occurring at the end of the reporting period:

	Impact on defined benefit obligation	
	2021	2020
	$M	$M
Discount rate:		
1.0% increase	(4.1)	(5.4)
1.0% decrease	4.8	6.4
Expected rate of salary increases:		
1.0% increase	2.1	2.8
1.0% decrease	(2.0)	(2.6)

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

33. Related party disclosures

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

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

- All related party transactions are conducted at arm's length on a commercial basis
- Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash
- For the year ended 31 December 2021, 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 (2020: 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

	2021 $'000	2020 $'000
Sales and purchases of goods and services		
Purchases	8,753,045	6,910,598
Sales of goods and services	327,369	600,860
Outstanding balances arising from sales/purchases of goods and services		
Receivables	17,617	12,337
Payables	1,339,106	821,692

(b) Transactions with associates

	2021 $'000	2020 $'000
Sales and purchases of goods and services		
Purchases	9,819	10,941
Sales of goods and services	726,539	490,570
Other transactions		
Interest income from associates	1,110	1,678
Sales of assets to associates	2,565	5,188
Lease expense paid to associates	-	113,200
Dividends from associates	-	19,849
Loan repayment by associates	4,228	-
Purchase of assets from associate	5,103	-
Outstanding balances arising from sales/purchases of goods and services		
Receivables	36,433	39,538
Payables	119	139

(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.

33. Related party disclosures (continued)

One director holds a directorship within the Vitol group of companies and any transactions entered into by the Group with the Vitol group of companies are in the ordinary course of business and are at arm's length.

(d) Key management personnel compensation

	2021	2020
	$'000	**$'000**
Short-term employee benefits	4,112	3,955
Post employee benefits	95	133
Employee option plan	1,205	1,247
Total compensation paid to key management personnel	**5,412**	**5,335**

(e) Long Term Incentive Plan (LTI)

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

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

Performance rights are granted under the plan for no consideration and carry no dividend or voting rights. Set out below are summaries of rights granted under the plan:

	2021	2020
	Number of rights	**Number of rights**
Balance at the start of the financial year	5,100,863	3,524,041
Granted during the year	2,733,434	2,087,421
Vested during the year	(308,000)	-
Forfeited during the year	(1,585,408)	(510,599)
Balance at the end of the financial year	**5,940,889**	**5,100,863**

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

			Number of performance rights outstanding	
Tranche	**Grant date**	**Fair value range at grant date**	**31-Dec-21**	**31-Dec-20**
FY18 Tranche	23-Jul-18	$1.39 - $2.27	-	1,232,000
FY19 Tranche #1	19-Mar-19	$1.73 - $2.23	856,896	1,127,495
FY19 Tranche - CEO	23-May-19	$1.31 - $1.97	541,198	541,198
FY19 Tranche #2	22-Oct-19	$1.32 - $1.79	-	112,749
FY20 Tranche - CFO	18-Feb-20	$1.06 - $1.73	301,232	301,232
FY20 Tranche #1	18-Feb-20	$0.47 - $1.49	750,763	1,028,824
FY20 Tranche - CEO	6-Jul-20	$0.91 - $1.58	556,121	556,121
FY20 Tranche #2	8-Oct-20	$0.91 - $1.58	201,245	201,244
FY21 Tranche #1	19-Feb-21	$0.86 - $1.50	1,827,933	-
FY21 Tranche #2	26-May-21	$1.18 - $1.50	905,501	-
			5,940,889	**5,100,863**

33. Related party disclosures (continued)

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

Fair value of performance rights

The FY21 LTI plan performance rights with the relative TSR hurdle vesting condition have been valued by an independent expert using a hybrid trinomial option model. This model uses a combination of Monte Carlo simulation and a trinomial lattice to model the performance of the Company's shares and the individual shares within the entities in the S&P / ASX 100 index. The FY21 LTI plan performance rights with FCF and ROCE hurdles are valued using a hybrid employee stock option model with a single share price target. Specifically, this model adjusts the spot prices as at the valuation date for expected dividends during the vesting period.

Model inputs for performance rights granted during the year included:

Grant date	Share price at grant date	Expected life (years)	Volatility	Risk-free rate of return	Dividend yield	Vesting date
19-Feb-21	$1.72	2.86	35%	0.09%	4.30%	1-Jan-24
26-May-21	$2.06	2.60	35%	0.10%	3.60%	1-Jan-24

(f) Deferred Share Rights Issued

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

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

	2021	2020
	Number of rights	Number of rights
Balance at the start of the financial year	2,201,583	213,903
Granted during the year	2,540,824	1,987,680
Vested during the year	(1,057,738)	-
Lapsed during the year	(46,756)	-
Balance at the end of the financial year	**3,637,913**	**2,201,583**

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

			Number of deferred share rights outstanding	
Tranche	**Grant date**	**Fair value range at grant date**	**31-Dec-21**	**31-Dec-20**
FY19 Tranche	22-Oct-19	$1.88	-	213,903
FY20 Tranche #1	18-Feb-20	$1.61 - $1.69	1,108,731	1,952,566
FY20 Tranche #2	6-Jul-20	1.69	17,557	35,114
FY21 Tranches #1	19-Feb-21	1.72	2,382,307	-
FY21 Tranches #2	23-Feb-21	1.66	86,530	-
FY21 Tranches #3	8-Nov-21	$1.72	42,788	-
			3,637,913	**2,201,583**

Fair value of deferred share rights

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

33. Related party disclosures (continued)

(g) Legacy LTI

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

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

	2021 Number of options	2020 Number of options
Balance at the start of the financial year	1,538,094	8,651,786
Exercised during the year	(1,153,570)	(7,113,692)
Balance at the end of the financial year	**384,524**	**1,538,094**

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

Grant Date	Expiry Date	Exercise Price	31-Dec-21	31-Dec-20
25-Oct-17	1-Jan-22	$1.21	384,524	1,538,094
			384,524	**1,538,094**

Total expenses arising from employee plan transactions recognised during the 2021 year was $6,786,824 (2020: $3,578,014).

34. 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.

	2021 $	2020 $
Audit or review services:		
PricewaterhouseCoopers Australia		
Audit or review of financial reports of the Group	860,000	900,000
Overseas PricewaterhouseCoopers firms		
Audit or review of financial reports*	37,998	34,201
Non-audit services:		
PricewaterhouseCoopers Australia		
Other assurance services	292,488	135,764
Other services	67,900	44,576
Total	**1,258,386**	**1,114,541**

2021 Audit or review services include $120,000 additional work for 2020 audit (2020: $130,000 for 2019).
**Fees paid to PricewaterhouseCoopers overseas firms for the audit of Viva Energy S.G. Pte Ltd and Pacific Hydrocarbon Solutions Limited.*

34. Auditor's remuneration (continued)

The Directors have formed the view, based on advice from the Risk and Audit Committee, that the provision of non-audit services during the 2021 financial year was compatible with, and did not compromise, the general standard of independence for auditors imposed by the Corporations Act 2001. The non-audit services provided did not involve the external auditor reviewing or auditing its own work or acting in a management or decision making capacity for the Company, or otherwise could reasonably be expected to compromise its independence.

No officer of the Company was a partner or director of PricewaterhouseCoopers during the financial year. A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 59.

35. Events occurring after the reporting period

Diesel Storage Program

On 31 January 2022 the Group announced the finalisation of a grant agreement in relation to the Federal Government's Boosting Australia's Diesel Storage Program, that will see the Group build 90 million litres of new strategic diesel storage at the Geelong Refinery. The grant will cover up to 50 percent of total eligible expenditure up to a maximum of $33.3 million. The total project expenditure is estimated to be between $75.0 million and $85.0 million. Subject to regulatory approval, construction is expected to commence in 2022 with planned completion by 2024.

Stamp duty – Viva Energy REIT

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

An objection to the matter was lodged by VER Custodian Pty Ltd (a REIT entity) and a determination from the SRO was subsequently received in May 2020 disallowing that objection. The matter was then referred to the Supreme Court of Victoria (Court) with the court hearing on 8 November 2021. On 11 February 2022 the Court upheld the Group's objection to the SRO's stamp duty assessment and determined that the assessment be reduced to nil.

As a result of the Courts assessment, the $31.2 million contingent liability that has been disclosed in the financial statements since 2018 is no longer recognised. In addition, a $7.5 million payment made to the SRO in 2020, which is currently recognised in current assets within the consolidated statement of financial position at 31 December 2021, will be returned to the Group in 2022.

No other matters or circumstances have arisen subsequent to the end of the financial year that 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 years.

Directors' declaration

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

The Directors declare that in their opinion:

(a) the consolidated financial statements and notes of the Viva Energy Group for the year ended 31 December 2021 set out on pages 60 to 113 are in accordance with the Corporations Act 2001, including:

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

  (ii) giving a true and fair view of the Viva Energy Group's financial position as at 31 December 2021 and of its performance for the year ended on that date;

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

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in Note 31 *Deed of cross guarantee* to the financial statements will be able to meet any obligations or liabilities to which they are, or may become, subject to by virtue of the Deed of Cross Guarantee described in Note 31 *Deed of cross guarantee* to the financial statements.

The *Basis of preparation* on page 65 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the year ended 31 December 2021.

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

Robert Hill
Chairman

Scott Wyatt
CEO and Managing Director

21 February 2022

Independent auditor's report

To the members of Viva Energy Group Limited

Report on the audit of the financial report

Our opinion

In our opinion:

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

(a) giving a true and fair view of the Group's financial position as at 31 December 2021 and of its financial performance for the year then ended

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

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 31 December 2021
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of profit or loss for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration.

Basis for opinion

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

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

Independence

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

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Our audit approach

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

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

Materiality	***Audit scope***	***Key audit matters***
• For the purpose of our audit we used overall Group materiality of $18.5 million, which represents approximately 2% of the Group's earnings before interest, tax, depreciation and amortisation (EBITDA). • We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole. • We chose Group EBITDA because, in our view, it is the most appropriate benchmark to assess the performance of the Group. • We utilised a 2% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.	• Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.	• Amongst other relevant topics, we communicated the following key audit matters to the Audit and Risk Committee: – Refining assets assessment of impairment indicators – Environmental and asset retirement provisions • These are further described in the *Key audit matters* section of our report.

Key audit matters

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

Key audit matter	***How our audit addressed the key audit matter***
Refining assets assessment of impairment indicators *(Refer to note 11) [$426.2m]* As at 31 December 2021, the Group's property, plant and equipment balances include $426.2m of refining assets. As required under AASB 136 *Impairment of assets,* each period the Group assesses all property, plant and equipment balances for any impairment indicators. In the current period, the Group has concluded that no impairment indicators exist. During the period, Viva entered into a long-term Fuel Security Package (FSP) with the Federal Government which has reduced the Group's downside risk to the Geelong Refining Margin (GRM). While the introduction of the FSP has removed a degree of uncertainty associated with the carrying value of the refining assets, this remains a key audit matter because of the judgement involved in assessing impairment indicators and the financial significance of the refining assets.	We performed the following procedures amongst others: • Evaluated the Group's assessment of impairment indicators, including the conclusions reached. • Considered the movement in oil price and asset performance over the period, and the ongoing nature of refining assets. • Verified the mathematical accuracy of the calculation for the FSP margin marker in line with the requirements under the FSP. • Considered the eligibility for payments made under the FSP. • Evaluated the adequacy of disclosures in note 11 in light of the requirements of Australian Accounting Standards. Based on the procedures performed, we noted no material issues from our work.

Key audit matter	How our audit addressed the key audit matter
Environmental and asset retirement provisions *(Refer to note 17) [$138.0m]* As at 31 December 2021, the Group recognised the following provisions: • Environmental provisions: $43.5m • Asset retirement provisions: $94.5m The provisions relate to the Group's obligations to rehabilitate sites, either during or at the end of their operations. This includes the Group's conversion of its former Clyde refinery to a storage terminal. This was a key audit matter as the calculation of the provisions required the Group to make judgements in estimating the cost and timing of future rehabilitation work, discounted to their present value, and the provisions are material.	We performed the following procedures amongst others: • Tested the mathematical accuracy for a sample of the provision calculations. • Evaluated the completeness of the provisions by reviewing the litigation register and board minutes to identify any legal notices in relation to environmental obligations and checked that these were appropriately considered in the determination of the provisions. • Assessed the competence, experience and objectivity of the internal and external experts used by the Group in preparing the relevant calculations for the determination of the provisions. • Corroborated a sample of estimates used in the provision calculations to third party support or estimates made by external experts. • Performed sensitivity analysis over key estimates and assumptions, such as the discount and inflation rates used by making changes that we consider reasonably possible to assumptions, to assess the impact on the asset retirement provision determined. Based on the procedures performed, we noted no material issues from our work.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 31 December 2021, but does not include the financial report and our auditor's report thereon. Prior to the date of this auditor's report, the other information we obtained included the Operating and financial review, Board of Directors, Executive Leadership Team and Directors' report. We expect the remaining other information to be made available to us after the date of this auditor's report.

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

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

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

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

Responsibilities of the directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

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

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 29 to 51 of the directors' report for the year ended 31 December 2021.

In our opinion, the remuneration report of Viva Energy Group Limited for the year ended 31 December 2021 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of *the Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

Chris Dodd
Partner

Melbourne
21 February 2022