ASX Release

Ampol Limited 2020 Half Year Report

Tuesday, 25 August 2020 (Sydney): Ampol Limited provides the attached 2020 Half Year Report (incorporating requirements of Appendix 4D)

Authorised for release by the Board of Ampol Limited.

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Ampol Limited (formerly Caltex Australia Limited)

ACN 004 201 307

2020
Half Year Report

HALF YEAR INFORMATION GIVEN
TO THE ASX UNDER LISTING RULE 4.2A.3

THE 2020 HALF YEAR FINANCIAL
REPORT SHOULD BE READ IN
CONJUNCTION WITH THE
2019 FINANCIAL REPORT

AMPOL LIMITED
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Ampol Limited

ACN 004 201 307

Appendix 4D – Results for Announcement to the Market

Key Results (Millions of dollars)		Half year ended 30 June 2020	2019
Revenue from ordinary activities	▼ 22%	**8,055**	10,309
(Loss)/profit from ordinary activities after tax/net (loss)/profit for the period attributable to members of the parent:			
Historical cost basis	▼ 503%	**(626)**	155
Replacement cost basis (excluding significant items after tax)(i)	▼ 11%	**120**	135

Dividend	2020	2019
Dividends declared		
Interim dividend:	**25c**	32c
Amount per security (fully franked)(ii)		
Final dividend:	**N/A**	51c
Amount per security (fully franked)(ii)		
Record date for determining entitlement to 2020 interim dividend		8 September 2020
Payment date for the 2020 interim dividend		2 October 2020

Comments update

- Resilient RCOP result despite broad-based economic weakness and significant disruptions to global hydrocarbon markets. Convenience Retail RCOP EBIT up 47% and F&I ex-Lytton RCOP down 11% compared to 1H 2019.
- HCOP NPAT loss of $626 million is impacted by $434 million inventory loss and $312 million significant Items.
- Ampol has continued to deliver its strategy in a disciplined manner during the period and has executed the Convenience Retail property transaction in August, which will release $612 million of capital. Proceeds will be used initially to manage leverage in line with Ampol's Capital Allocation Framework, pursuant to which Ampol will continue to explore potential capital returns and growth opportunities as and when market conditions improve.
- Net debt of $1,233 million at end of period driven by COVID-19 demand impacts including lower operating cashflows and inventory loss from the crude oil price decline.

Notes:

(i) Replacement cost of sales operating profit (RCOP) excluding significant items (on a pre-tax and post-tax basis) is a non-International Financial Reporting Standards (IFRS) measure. It is derived from the statutory profit adjusted for inventory (gains)/losses, as management believes this presents a clearer picture of the Company's underlying business performance as it is consistent with the basis of reporting commonly used within the global oil industry. This is unaudited. RCOP excludes the unintended impact of the fall or rise in oil and product prices (key external factors). It is calculated by restating the cost of sales using the replacement cost of goods sold rather than the historical cost, including the effect of contract-based revenue lags.

(ii) There is no conduit foreign income component distributed in relation to the dividend. There is no Dividend Reinvestment Plan in operation.

Ampol Limited
ACN 004 201 307

Appendix 4D - Key Performance Indicators

	Half year ended 30 June	
	2020	**2019**
(Loss)/profit before interest and tax attributable to members of the parent ($m)		
Historical cost basis (including significant items)	**(845)**	285
Replacement cost basis (excluding significant items)(i) (ii)	**221**	255
(Loss)/profit after interest and tax ($m)		
Historical cost basis (including significant items)	**(626)**	155
Replacement cost basis (excluding significant items)	**120**	135
Inventory (losses)/gains after tax ($m)	**(434)**	21
Significant items loss after tax ($m)	**(312)**	-
Earnings per share (cents)		
Historical cost basis including significant items – Basic	**(247.5)**	60.6
Historical cost basis including significant items – Diluted	**(247.5)**	60.6
Replacement cost basis excluding significant items – Basic	**47.5**	52.6
Replacement cost basis excluding significant items – Diluted	**47.5**	52.5
Return on equity attributable to members of the parent entity after tax (%)		
Historical cost basis (including significant items)	**(25)**	5
Replacement cost basis (excluding significant items)	**5**	4
Net tangible asset backing per share ($)(iii)	**7.91**	10.19
Interest bearing liabilities ($m)		
Net Borrowings	**1,233**	1,264
Lease Liabilities	**878**	899
Interest bearing liabilities net of cash	**2,111**	2,163
Gearing (excluding leases) (%)	**33**	29
Gearing (lease adjusted) (%)	**45**	41

Notes:

(i) Significant items are events that Management and the Board consider to be outside the scope of usual business. These are excluded to give a clearer reflection of underlying financial performance from one period to the next.

(ii) This is a non-IFRS un-audited measure that management and the Board consider key for users of the financial statements.

(iii) Net tangible asset backing per share is derived by dividing net tangible assets by the number of shares issued. Net tangible assets are net assets attributable to members of Ampol less intangible assets. The number of ordinary shares used in the calculation of net tangible assets per share was 250 million (1H2019: 250 million).

Ampol Limited (formerly Caltex Australia Limited)

ACN 004 201 307

2020 Half Year Financial Report

Contents

The 2020 Half Year Financial Report for Ampol Limited includes the:

- Directors' Report
- Directors' Declaration
- Independent Auditor's Review Report
- Half Year Financial Statements
- Notes to the Half Year Financial Statements for the half year ended 30 June 2020

Ampol Group

For the purposes of this report, the Ampol Group (collectively, the "Group") refers to:

- Ampol Limited (Ampol), the parent company of the Group listed on the Australian Securities Exchange (ASX)
- Major operating companies, including Caltex Australia Petroleum Pty Ltd
- Wholly owned entities and other entities that are controlled by the Group

THE 2020 HALF YEAR FINANCIAL REPORT SHOULD BE READ IN CONJUNCTION WITH THE 2019 FINANCIAL REPORT

Directors' Report

The Board

Ampol Limited (formerly Caltex Australia Limited) changed its company name following shareholder approval at the company's Annual General Meeting on 14 May 2020.

The Directors of Ampol Limited (Ampol) present the 2020 Half Year Directors' Report and the 2020 Financial Report for Ampol Limited and its controlled entities (collectively referred to as the "Group") for the Half Year ended 30 June 2020.

On 25 August 2020, the Directors of Ampol resolved to authorise the issue of the Half Year Financial Report for the half year ended 30 June 2020.

Board of Directors

The names of the Directors of Ampol holding office at any time during, and since the end of, the half year period are set out below:

Name	Position
1. Steven Gregg	Independent, Non-executive Director (appointed 9 October 2015) and Chairman (appointed 18 August 2017)
2. Matthew Halliday	Managing Director and Chief Executive Officer (appointed 29 June 2020)
3. Mark Chellew	Independent, Non-executive Director (appointed 2 April 2018)
4. Melinda Conrad	Independent, Non-executive Director (appointed 1 March 2017)
5. Michael Ihlein	Independent, Non-executive Director (appointed 1 June 2020)
6. Gary Smith	Independent, Non-executive Director (appointed 1 June 2020)
7. Barbara Ward AM	Independent, Non-executive Director (appointed 1 April 2015)
8. Penny Winn	Independent, Non-executive Director (appointed 1 November 2015)
9. Bruce Morgan	Retired on 14 May 2020 (appointed 29 June 2013)
10. Julian Segal	Retired on 2 March 2020 as Managing Director and Chief Executive Officer (appointed 1 July 2009)

Directors' Report
CONTINUED

Board Changes

On 2 March 2020, Julian Segal resigned as Managing Director.

On 20 March 2020, Ampol announced the appointment of Georgina Koch as Company Secretary with effect from 20 March 2020 following the resignation of Lyndall Stoyles as Company Secretary on 27 March 2020.

On 14 May 2020, Bruce Morgan did not seek re-election to the Ampol Board at Ampol's Annual General Meeting

On 28 May 2020, Ampol announced the appointment of Michael Ihlein and Gary Smith to the Ampol Board as Independent Non-Executive Directors with effect from 1 June 2020.

On 29 June 2020, Matthew Halliday was appointed as Managing Director to the Ampol Board.

Board Committee Changes

On 1 June 2020, Michael Ihlein was appointed as Chairman of the Audit Committee, succeeding Bruce Morgan, and was also appointed as a member of the Safety and Sustainability Committee and Nomination Committee.

On 1 June, Gary Smith was appointed as a member of the Human Resources Committee, Safety & Sustainability Committee and Nomination Committee

A biography of each current Director is available under Corporate Governance on the Ampol website at **www.ampol.com.au/about-ampol/our-people/board-of-directors.**

Executive Changes

On 14 August 2019, Ampol announced that Julian Segal, Managing Director and Chief Executive Officer, would retire and step down once the Board completed a formal succession and transition process.

On 25 February 2020, as part of the CEO transition announcement, Matthew Halliday was appointed as the Interim Chief Executive Officer, Julian Segal stepped down as Chief Executive Officer, Louise Warner was appointed Interim Chief Operating Officer, and Jeff Etherington was appointed as Interim Chief Financial Officer with effect from 2 March 2020.

On 29 June 2020, Ampol appointed Matthew Halliday to the permanent position of Managing Director and Chief Executive Officer.

On 18 August 2020, Louise Warner was appointed Chief Commercial Officer, Joanne Taylor was appointed EGM Retail, Brand and Culture and Andrew Brewer will be re-joining Ampol in the role of EGM Infrastructure in December 2020.

A biography of each current Ampol Leadership Team member is available on the Ampol website at **www.caltex.com.au/our-company/leadership-team**.

Operating and financial review

The purpose of the operating and financial review (OFR) is to enhance the periodic financial reporting and provide shareholders with additional information regarding the Group's operations, financial position, business strategies and prospects. The review complements the Financial Report on pages 20 to 40.

The OFR may contain forward-looking statements. These statements are based solely on the information available at the time of this report, and there can be no certainty of outcome in relation to the matters to which the statements relate.

Company overview

Ampol Limited (ASX:ALD) is an independent Australian company and the nation's leader in transport fuels.

Ampol manages the country's largest petrol and convenience network as well as refining, importing and marketing fuels and lubricants. Ampol is backed by experience with a history spanning over 120 years, having grown to become the largest transport fuels company listed on the Australian Securities Exchange.

In recent years Ampol has expanded its national and international footprint to develop a reliable and adaptable supply chain extending from the regional hub of Singapore, where we operate our trading and shipping office, to the Australian end consumer, serving over 80,000 customers in markets such as defence, mining, aviation and over three million retail customers every week.

Ampol's robust supply chain is underpinned by its market-leading infrastructure, including 19 terminals, five major pipelines, 89 depots, approximately 800 controlled retail sites, 2,000 branded sites and one refinery located in Lytton, Queensland. This network is supported by over 7,800 people across Australia and overseas.

Beyond Australia, Ampol has presence in the New Zealand fuels market as owner of Gull New Zealand, which operates one of the largest independent import terminals in the country and a retail network. Ampol also has a 20 per cent equity interest in SEAOIL in the Philippines. These international operations are in addition to our trading and shipping offices in Singapore and the United States of America.

Ampol Limited, formerly Caltex Australia, returned to the iconic Australian name following shareholder approval on 14 May 2020. The national brand roll out across its retail network will begin in January 2021 and be completed by end 2022.

Group strategy

Ampol's strategy is to leverage our competitive strengths across the fuels and convenience value chain to maximise shareholder value. Ampol controls a hard to replicate, privileged network of retail and distribution assets, and we remain focused on delivering integrated value and growth across our business.

We have a successful track record of transformation underpinned by our capabilities in managing complex supply chains, privileged assets and deep customer base. This has enabled the evolution of our business model and customer offering from a refiner-marketer to an integrated fuels and convenience retailer with significant long-term growth pathways.

Directors' Report
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Operating and financial review continued

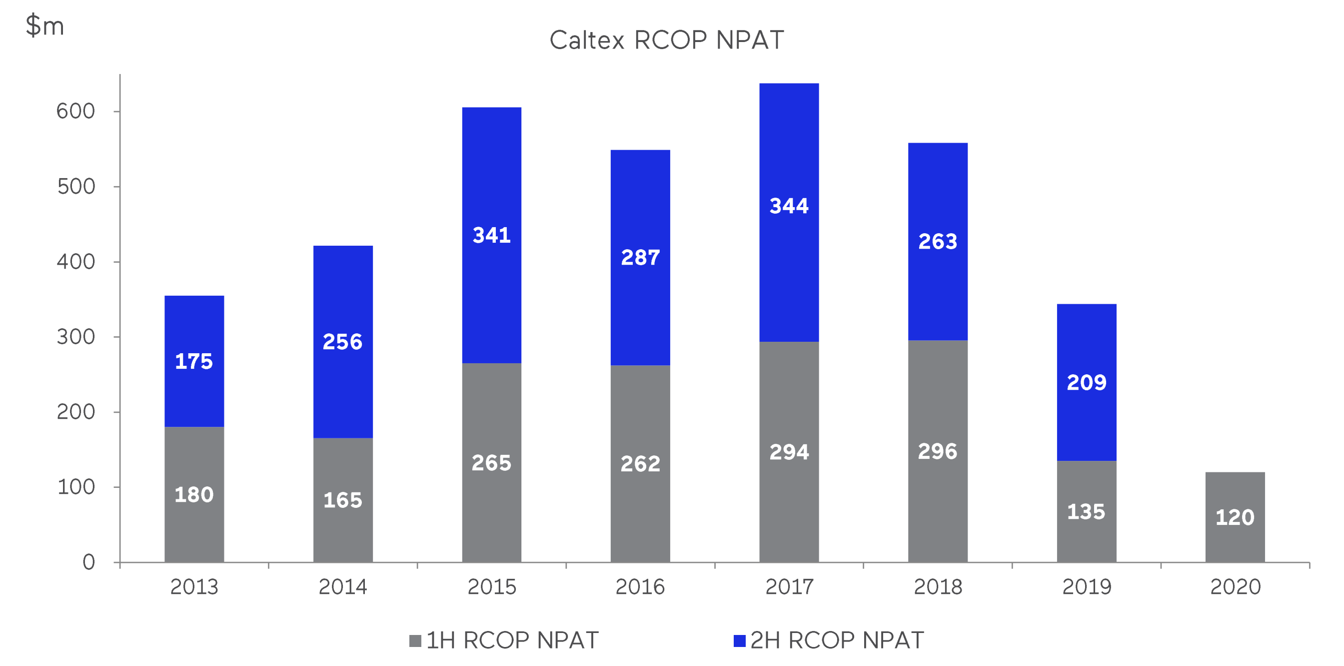
Group results 30 June 2020

On an historical cost profit basis, Ampol recorded an after-tax loss of $626 million for the first half of 2020, including significant items expense of $312 million. This compares unfavourably to the $155 million after tax profit for the first half of 2019. The 2020 half year includes a product and crude oil inventory loss of $434 million after tax, compared with an inventory gain of $21 million after tax for the half year to 30 June 2019.

A reconciliation of the underlying result to the statutory result is set out in the following table:

Reconciliation of the underlying result to the statutory result	June 2020 $m (after tax)	June 2019 $m (after tax)
Net (loss)/profit attributable to equity holders of the parent entity	(626)	155
Deduct/add: Significant items loss	312	-
Deduct/add: Inventory loss/(gain)	434	(21)
RCOP(i) NPAT (excluding significant items)	**120**	135

On a RCOP basis, Ampol recorded an after-tax profit excluding significant items of $120 million for the first half of 2020 ($135 million for the first half 2019).



Dividend

The Board has declared an interim fully franked dividend of 25 cents per share (52% of RCOP NPAT) for the first half of 2020, in line with the Dividend Policy pay-out ratio of 50% to 70%. This compares to Ampol's 2019 interim dividend of 32 cents per share (59% of RCOP NPAT), fully franked. The record and payment dates for the interim dividend are referenced on page 31.

Notes:

(i) Replacement cost of sales operating profit (RCOP) excluding significant items (on a pre-tax and post-tax basis) is a non-International Financial Reporting Standards (IFRS) measure. It is derived from the statutory profit adjusted for inventory (gains)/losses, as management believes this presents a clearer picture of the Company's underlying business performance as it is consistent with the basis of reporting commonly used within the global oil industry. This is unaudited. RCOP excludes the unintended impact of the fall or rise in oil and product prices (key external factors). It is calculated by restating the cost of sales using the replacement cost of goods sold rather than the historical cost, including the effect of contract-based revenue lags.

Directors' Report

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Operating and financial review continued

COVID-19

The period has been marked by the impact of the Coronavirus (COVID-19) pandemic. Ampol's priority during this time has been to take necessary action to safeguard the health of our people and customers, ensure business continuity, optimise cashflow and ensure we are well placed to capture opportunities when market conditions improve.

In response to the unfolding COVID-19 crisis and the broader dynamics in the global fuel oil markets, Ampol has taken a number of initiatives that together will protect the business and assist in navigating this challenging period, while ensuring both the wellbeing of our people and the safe and reliable supply of high-quality transport fuels to our customers.

The Group has taken early and decisive action to mitigate the impacts of COVID-19 including:

- Bringing forward and extending the Lytton refinery Turnaround and Inspection (T&I) in order to execute it safely;
- Optimising retail and aviation fuel cost base;
- Reducing corporate overheads; and
- Deferring non-critical capital spend.

These steps have enabled the Group to continue to execute the strategy in a disciplined manner and continue to focus on improving cost and capital efficiency to deliver value for shareholders.

COVID-19 has had an adverse impact on the operating environment and financial performance for the Group for the half year ending 30 June 2020 including:

- Unprecedented challenges for the global hydrocarbon industry, as various government restrictions significantly impacted product demand, and in turn external refiner margins.
- Total Australian fuels sales volumes were 7.0BL in 1H 2020, 14% lower than the 8.1BL in 1H 2019, reflecting adverse weather impacts at the start of the year and the significant impact of government restrictions implemented in response to the COVID-19 pandemic. Jet fuel, which made up 19% of Australian wholesale volumes in 2019, continues to be the most impacted product.
- The significant inventory loss of $434 million after tax which contributed materially to the Historic Cost Operating Profit (HCOP) loss of $626 million. During the COVID-19 pandemic there was high volatility of oil prices and exchange rates with Dated Brent hitting a low of US$18.55/bbl whole month average in April 2020 that contributed to the material inventory loss recorded in the first half of 2020.
- Global hydrocarbon demand weakness due to government travel restrictions arising from the COVID-19 pandemic, including the impact on regional refiner margins and global trade balances, has impacted the profitability of Lytton Refinery. With refiner margins at historic low levels and hydrocarbon demand weakness globally and in Australia, the Group has assessed the recoverable amount of its Lytton Refinery cash-generating unit which determined the carrying value of the refinery was $80 million in excess of its recoverable amount.
- The impact of demand reduction due to the uncertainty introduced by COVID-19 indicated that the assets at the convenience retail site cash-generating unit level may be impaired and caused the Group to assess the recoverability of the carrying value of the Convenience Retail site assets which was determined to be in excess of its recoverable amount by $233 million.
- Other significant items caused by COVID-19 include:
  - (i) The approved site closure of 20 depots in regional areas and 34 marginal retail sites resulting in asset impairment of $23 million and site remediation provision of $32 million;
  - (ii) Other specific asset impairment due to review of company priorities across projects and future investment was undertaken to ensure a clearer focus on the organisational priorities post the COVID-19 impact resulted in ceasing IT projects of $19 million;
  - (iii) Increase in provision for doubtful debts as a result of the expected impact on Ampol customers from COVID-19 of $4 million;
  - (iv) The above expenses have been offset by other revenue received from government assistance for wage support of $2 million.

Whilst COVID-19 has adversely impacted the first half of 2020, Ampol's liquidity position and balance sheet remain strong. The Group has maintained substantial committed undrawn debt capacity with a diverse group of high-quality financial institutions, on appropriate terms with a prudent weighted average maturity of three years. Significant headroom remains to key financial covenants under all the Group's borrowing arrangements.

The Group has taken a conservative approach to further bolster its funding arrangements. During the first half of 2020, the Group extended the tenor on $500 million (AUD equivalent) of its existing bank facilities and upsized its bank facilities by $385 million. The total available funds at 30 June 2020 was $3,025 million (31 December 2019: $2,649 million), with $1,782 million in undrawn committed bank debt facilities.

Directors' Report
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Operating and financial review continued

Income statement

For the half year ended 30 June	2020 $m	2019 $m
1. Total revenue	**8,055**	10,309
Share of net profit of entities accounted for using the equity method	**4**	3
2. Total expenses(i)	**(7,838)**	(10,056)
Replacement cost earnings before interest and tax	**221**	255
Finance income	**1**	1
Finance expenses	**(54)**	(65)
3. Net finance costs	**(53)**	(65)
Income tax expense(ii)	**(48)**	(56)
Replacement cost of sales operating profit (RCOP)	**120**	135
4. Significant items loss after tax	**(312)**	-
5. Inventory (loss)/gain after tax	**(434)**	21
Historical cost net (loss)/profit after tax	**(626)**	155
Interim dividend per share	**25c**	32c
Final dividend per share	**N/A**	51c
(Loss)/earnings per share (cents)		
Historical cost basis including significant items – Basic	**(247.5)**	60.6
Historical cost basis including significant items – Diluted	**(247.5)**	60.6
Replacement cost basis excluding significant items – Basic	**47.5**	52.6
Replacement cost basis excluding significant items – Diluted	**47.5**	52.5

Discussion and analysis – Income statement	
1. Total revenue ▼ **22%**	Total revenue decreased due to a 14% decline in Australian sales volumes resulting from reduced demand as a result of the COVID-19 pandemic. Australian Dollar product prices are also on average 29% lower than 1H 2019. Lower product prices in 1H 2020 were driven by lower weighted average Dated Brent crude oil price (1H 2020: US$40/bbl vs 1H 2019: US$66/bbl), partly offset by the lower average Australian dollar (1H 2020: 66 US cents vs 1H 2019: 71 US cents). Revenue includes assistance from governments for wage support of $2 million received from Australia, New Zealand and Singapore government programs which commenced in April 2020 and is expected to continue in the second half of 2020.
2. Total expenses – replacement cost basis ▼ **22%**	Total expenses also decreased primarily as a result of lower replacement cost of goods sold, driven by the same components noted above for fuel revenue.

Notes:

(i) Includes other expenses of $365 million (1H 2019: $6 million). Excludes significant items loss of $446 million (1H 2019: nil) and inventory loss of $621 million (1H2019: $30 million gain).

(ii) Excludes tax receivable/benefit on inventory loss of $186 million (1H 2019 $9 million on inventory gain) and tax receivable/benefit on significant items loss of $134 million (1H 2019: nil).

Directors' Report
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Operating and financial review continued

Income statement continued

Discussion and analysis – Income statement	RCOP EBIT breakdown[i]
Fuels and Infrastructure EBIT	**$112m**
Fuels and Infrastructure EBIT consists of the segment's earnings on fuel products through the Lytton refinery, other Australian earnings (including earnings on sales to the Convenience Retail segment) and International earnings. F&I delivered EBIT of $112 million in 1H 2020, which was below the $193 million EBIT in 1H 2019, largely given lower earnings from Lytton, and given 1H 2019 result benefited from $23 million of one-off Trading and Shipping earnings which did not repeat. F&I EBIT (excluding Lytton) was $171 million, which is a decrease of $21 million. The result demonstrates the resilience of the business, with the result delivered against a backdrop of significant decline in Australian fuel volumes, and the associated earnings impacts from the loss of volumes, reduced scale efficiencies, and managing the rapidly changing supply chains. Earnings in the period were supported by continued growth in International RCOP EBIT, including the planned implementation of new storage opportunities, along with strong cost discipline and $29 million of foreign exchange gains. Lytton delivered an EBIT result of a loss of $59 million, which was down $60 million compared to 1H 2019. The reduction in Lytton EBIT during the half was reflective of the extremely weak external refiner margin environment impacted first by IMO2020 and then by COVID-19. Decisive action has been taken to mitigate these impacts by the combination of bringing forward and extending the refinery Turnaround & Inspection (T&I), and a renewed focus on costs and efficiency. Related to this decision, higher costs were incurred associated with managing the crude supply chain, and these anticipated impacts were considered in advance when making the decision to bring forward and extend the T&I.	
Convenience Retail EBIT	**$125m**
Convenience Retail EBIT consists of earnings on fuel products and shop products at Ampol convenience stores. Convenience Retail delivered an EBIT result of $125 million, which is up 47% compared to 1H 2019. The increase in Convenience Retail EBIT compared with 1H 2019 was driven by stronger industry retail fuel margins and improved shop performance, more than offsetting volume weakness.	
Corporate EBIT	**($16m)**
Corporate operating expenses decreased by $7 million compared to 1H 2019.	
RCOP EBIT excluding significant items	**$221m**

Notes:

(i) The breakdown of RCOP shown here represents a management reporting view of the breakdown and, therefore, individual components may not reconcile to statutory accounts.

Directors' Report

CONTINUED

Operating and financial review continued

Income statement continued

Discussion and analysis – Income statement	
3. Net finance costs **▼ 17%**	Net finance costs decreased by $12 million compared with 1H 2019. The decreased interest cost is due to lower average daily borrowings combined with lower interest rates in 1H 2020.
4. Significant items loss after tax $312m	The significant item loss of $312 million after tax or $446 million before tax relates to: **Impairment of Non-Current Assets** Ampol has recognised an impairment loss of $355 million on non-current assets relating to Lytton Refinery cash-generating unit ($80 million), Convenience Retail site cash-generating units ($233 million) and other specific assets ($42 million). Refer to Half Year Financial Report note E5 for further information. **Ampol Rebranding Expense** Ampol has recognised an expense of $57 million in respect to rebranding due to its contractual obligation to remove Caltex signage and install Ampol branding of sites owned by a third party ($46 million), accelerated depreciation ($7 million) and other operating expenses ($4 million). **Other Expenses** *Site Remediation Provision* The decision to divest Convenience Retail and Depot sites resulted in an environmental remediation provision of $32 million recognised in respect of the cost of remediating these sites for alternative use. *Provision for Doubtful Debts* The provision for doubtful debt has increased by $4 million as a result of the expected impact on Ampol customers from COVID-19. **Other Revenue** Other revenue includes assistance from governments for wage support of $2 million received from Australia, New Zealand and Singapore government programs which commenced in April 2020 and is expected to continue in the second half of 2020.
5. Inventory loss after tax $434m	There was an inventory loss of $434 million after tax or $621 million before tax in 1H 2020. Over time revenues will increase/decrease as the price of products changes, this includes impacts from the AUD/USD exchange rate movements. As Ampol holds crude and product inventory the price at which the inventory was purchased will often vary from the price at the time of the revenue, thereby creating an inventory gain or loss. During the COVID-19 pandemic there was particularly high volatility of prices and exchange rates, which have increased the loss.

Business unit performance

Fuels and Infrastructure delivered an EBIT result of $112 million, including $171 million from F&I excluding Lytton and a loss of $59 million from Lytton.

Total Australian fuels sales volumes were 7.0BL in 1H 2020, 14% lower than the 8.1BL in 1H 2019, reflecting adverse weather impacts at the start of the year and the significant impact of government restrictions implemented in response to the COVID-19 pandemic. International volumes of 2.9BL in 1H 2020, were 93% higher than 1.5BL in 1H 2019, driven by an increase in third party sales including the start-up of the international storage initiatives. Total fuels sales volumes were 9.9BL in 1H 2020, 4% higher than the 9.6BL in 1H 2019.

Convenience Retail delivered an EBIT result of $125 million, which is up 47% compared to 1H 2019

Total CR fuels sales volumes were 2.0BL in 1H 2020, 18% lower than the 2.4BL fuels sales volumes in 1H 2019 due to the impacts on industry demand from bushfires, floods and the impact of COVID-19 restrictions introduced since late March.

Our disciplined approach to optimising site returns continued in 1H 2020, with the closure of 16 marginal sites, in addition to the closure of 25 Higher and Better Use (HBU) sites which Ampol will remediate as part of sale conditions. Combined, these closures drove a ~5% reduction in the size of the controlled network during the period. Shop performance improved during the period, driven by a 2.9% increase in like-for-like shop sales and a clear focus on cost management.

Operating and financial review continued

Balance sheet

As at 30 June 2020	June 2020 $m	Dec 2019 $m	Change $m
1. Working capital	**461**	632	(171)
2. Property, plant and equipment	**3,308**	3,702	(394)
3. Intangibles	**555**	573	(18)
4. Interest-bearing liabilities net of cash	**(2,111)**	(1,746)	(365)
5. Other non-current assets and liabilities	**330**	110	220
Total equity	**2,543**	3,271	(728)

Discussion and analysis – Balance sheet	
1. Working capital ▼ **$171m**	The decrease in working capital was primarily driven by lower price in product and crude on receivables, inventory and payables. Inventory volume was in line with December 2019 with high crude inventory offset by lower product inventory.
2. Property, plant and equipment ▼ **$394m**	The decrease in property, plant and equipment (PP&E) is driven by Convenience Retail ($233m), Lytton ($80m) and other asset impairments ($36m) and depreciation of $193m. This is partly offset by 1H 2020 capital expenditure and accruals (including major cyclical maintenance) of $84m and lease additions of $58m.
3. Intangibles ▼ **$18m**	Intangibles decreased primarily due to amortisation of $15m and software impairments of $6m.
4. Interest-bearing liabilities ▲ **$365m**	Interest-bearing liabilities relates to net debt of $1,233 million and lease liabilities $878 million as at 30 June 2020. The increase in net debt is primarily due to lower operating cashflows due to COVID-19 impacts, and the decline in oil and product prices on a historic cost basis, offsetting associated working capital benefits. Ampol's gearing at 30 June 2020 was 33%, increasing from 29% at 30 June 2019. On a lease-adjusted basis, gearing at 30 June 2020 was 45%, compared with 41% at 30 June 2019.
5. Other non-current assets and liabilities ▲ **$220m**	Other non-current assets and liabilities increased due to increased deferred tax assets recognised as a result of the tax loss position (HCOP) and impairment of non-current assets.

Directors' Report
CONTINUED

Operating and financial review continued

Cash flows

For year ended 30 June 2020	2020 $m	2019 $m	Change $m
1. Net operating cash (outflows)/inflow	**(66)**	272	(338)
2. Net investing cash outflows	**(87)**	(103)	16
3. Net financing cash inflow/(outflows)	**143**	(177)	320
Net decrease in cash held(i)	**(17)**	(8)	(9)

(i) Including effect of exchange rates on cash and cash equivalents.

Discussion and analysis – Cash flows	
1. Net operating cash inflows ▼ $338m	Net operating cash inflows were lower in 1H 2020 driven by COVID-19 demand impacts and the decline in the oil price that resulted in the historic cost basis which offset associated working capital benefits.
2. Net investing cash outflows ▼ $16m	Net investing cash outflows were lower in 1H 2020, as management removed non-essential capital expenditure.
3. Net financing cash outflows ▼ $320m	The net financing inflow of $143 million in 1H 2020 was driven by increased net proceeds from borrowings. This has been partly offset by dividend payments of $127 million and the repayment of lease liabilities of $79 million.

Capital Expenditure

Capital expenditure totalled $88 million including major T&I spending at Lytton refinery of $30 million and $4m in software.

Directors' Report
CONTINUED

Risk management

There have been no material changes to the descriptions of Ampol's risk management framework as outlined in the Operating and Financial Review included in the Annual Report as at 31 December 2019.

Events subsequent to the end of the period

On 11 August 2020, the Group advised the intention to restart the Lytton refinery at the conclusion of its extended outage period during September 2020.

On 17 August 2020 the Group announced the establishment of an unlisted property trust that will own 203 core freehold Convenience Retail sites. As part of the transaction, a Charter Hall and GIC consortium will acquire a 49% minority interest in the property trust for $682 million. Upon completion of the transaction, the Group will hold a 51% controlling interest in the property trust and maintain strategic and operational control of the core Convenience Retail sites. The property trust is intended to remain ungeared and is expected to be consolidated for accounting and ratings purposes. The transaction is expected to complete by the end of 2020, subject to a number of conditions precedent being satisfied.

On 25 August 2020, the Directors declared an interim dividend of 25 cents per share.

At the date of issue of this report, the future impact of COVID-19 on global and domestic economies and the impact on the Group remains uncertain. The Group continues to actively monitor this situation including the Victorian Stage 4 restrictions.

There were no other items, transactions or events of a material or unusual nature that are likely to significantly affect the operations of Ampol, the results of those operations or the state of affairs of the Group subsequent to 30 June 2020.

Rounding of amounts

The Company is of a kind referred to in *ASIC Corporations Instrument 2016/191* dated 24 March 2016. In accordance with that Instrument, amounts in the Directors' Report have been rounded to the nearest hundred thousand dollars, unless otherwise stated.

The Directors' Report is made in accordance with a resolution of the Board of Ampol Limited:

Steven Gregg
Chairman

Matthew Halliday
Managing Director and CEO

Sydney, 25 August 2020

KPMG

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Ampol Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Ampol Limited for the half-year ended 30 June 2020 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and

ii. no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

Julian McPherson

Partner

Sydney

25 August 2020

Directors' Declaration

The Board of Ampol Limited has declared that:

a) in the directors' opinion, there are reasonable grounds to believe that Ampol Limited will be able to pay its debts as and when they become due and payable; and

b) in the directors' opinion, the consolidated financial statements for the Group for the half year ended 30 June 2020, and the notes to the financial statements, are in accordance with the Corporations Act, including:
   (i) section 304 (compliance with Accounting Standards); and
   (ii) section 305 (true and fair view).

The Directors' Declaration is made in accordance with a resolution of the Board of Ampol Limited.

Steven Gregg
Chairman

Matthew Halliday
Managing Director and CEO
Sydney, 25 August 2020

KPMG

Independent Auditor's Review Report

To the shareholders of Ampol Limited

Report on the Half-year Financial Report

Conclusion

We have reviewed the accompanying ***Half-year Financial Report*** of Ampol Limited.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Half-year Financial Report of Ampol Limited is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group's*** financial position as at 30 June 2020 and of its performance for the Half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The ***Half-year Financial Report*** comprises:

- Consolidated balance sheet as at 30 June 2020
- Consolidated income statement, Consolidated statement of comprehensive income, Consolidated statement of changes in equity and Consolidated cash flow statement for the Half-year ended on that date
- Notes including a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

The ***Group*** comprises Ampol Limited (the Company) and the entities it controlled at the Half year's end or from time to time during the Half-year.

Responsibilities of the Directors for the Half-year Financial Report

The Directors of the Company are responsible for:

- the preparation of the Half-year Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- such internal control as the Directors determine is necessary to enable the preparation of the Half-year Financial Report that is free from material misstatement, whether due to fraud or error.

KPMG

Auditor's responsibility for the review of the Half-year Financial Report

Our responsibility is to express a conclusion on the Half-year Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Half-year Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 30 June 2020 and its performance for the half-year ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Ampol Limited, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

KPMG

KPMG

Julian McPherson

Partner

Sydney

25 August 2020

AMPOL

Financial Statements

Contents

Consolidated Income Statement

FOR THE HALF YEAR ENDED 30 JUNE 2020

Millions of dollars	Note	30 June 2020	30 June 2019
Revenue	B1	**8,055.0**	10,308.7
Cost of goods sold – historical cost		**(7,819.1)**	(9,362.8)
Gross profit		**235.9**	945.9
Other expense	B2	**(364.8)**	(6.2)
Net foreign exchange gain/(loss)		**32.7**	(0.4)
Selling and distribution expenses		**(571.5)**	(554.6)
General and administration expenses		**(181.1)**	(101.9)
Results from operating activities		**(848.8)**	282.8
Finance costs		**(54.1)**	(65.4)
Finance income		**0.7**	0.6
Net finance costs	B2	**(53.4)**	(64.8)
Share of net profit of entities accounted for using the equity method		**4.0**	3.0
(Loss)/profit before income tax expense	B3.3	**(898.2)**	221.0
Income tax benefit/(expense)		**272.3**	(64.9)
Net (loss)/profit		**(625.9)**	156.1
(Loss)/profit attributable to:			
Equity holders of the parent entity		**(626.2)**	155.4
Non-controlling interest		**0.3**	0.7
Net (loss)/profit		**(625.9)**	156.1
Basic and diluted (loss)/earnings per share:			
Historical cost – cents per share – basic	B4	**(247.5)**	60.6
Historical cost – cents per share – diluted	B4	**(247.5)**	60.6

The Consolidated Income Statement is to be read in conjunction with the notes to the financial statements.

Consolidated Statement of Comprehensive Income

FOR THE HALF YEAR ENDED 30 JUNE 2020

Millions of dollars	30 June 2020	30 June 2019
(Loss)/profit for the period	**(625.9)**	156.1
Other comprehensive income		
Items that will not be reclassified to income statement:		
Actuarial (loss)/gain on defined benefit plans	**(2.8)**	1.4
Tax on items that will not be reclassified to income statement	**0.8**	(0.4)
Total items that will not be reclassified to income statement	**(2.0)**	1.0
Items that may be reclassified subsequently to income statement:		
Foreign operations – foreign currency translation differences	**25.9**	6.0
Net change in fair value of net investment hedges	**3.7**	(0.6)
Effective portion of changes in fair value of cash flow hedges	**72.6**	2.5
Net change in fair value of cash flow hedges reclassified to income statement	**(74.2)**	(9.9)
Tax on items that may be reclassified subsequently to income statement	**(0.6)**	2.2
Total items that may be reclassified subsequently to income statement	**27.4**	0.2
Other comprehensive income for the period, net of income tax	**25.4**	1.2
Total comprehensive (loss)/income for the period	**(600.5)**	157.3
Attributable to:		
Equity holders of the parent entity	**(600.8)**	156.6
Non-controlling interest	**0.3**	0.7
Total comprehensive (loss)/income for the period	**(600.5)**	157.3

The Consolidated Statement of Comprehensive Income is to be read in conjunction with the notes to the financial statements.

Consolidated Balance Sheet

AS AT HALF YEAR ENDED 30 JUNE 2020

Millions of dollars	Note	30 June 2020	31 December 2019[i]
Current assets			
Cash and cash equivalents		**18.1**	35.0
Receivables		**1,004.3**	1,479.2
Inventories		**1,195.8**	2,109.5
Other		**38.2**	34.2
Total current assets		**2,256.4**	3,657.9
Non-current assets			
Receivables		**8.5**	8.7
Investments accounted for using the equity method		**179.7**	154.9
Intangibles		**554.5**	578.8
Property, plant and equipment		**3,308.2**	3,702.5
Deferred tax assets		**459.1**	172.2
Employee benefits		**1.6**	4.0
Other		**47.2**	68.1
Total non-current assets		**4,558.8**	4,689.2
Total assets		**6,815.2**	8,347.1
Current liabilities			
Payables		**1,512.5**	2,732.6
Interest-bearing liabilities	C1.1	**160.2**	221.5
Current tax liabilities		**92.7**	118.8
Employee benefits		**53.9**	50.5
Provisions		**118.7**	88.7
Total current liabilities		**1,938.0**	3,212.1
Non-current liabilities			
Payables		**17.7**	21.3
Interest-bearing liabilities	C1.1	**1,969.0**	1,559.3
Deferred tax liabilities		**10.9**	-
Employee benefits		**40.1**	40.5
Provisions		**296.3**	243.4
Total non-current liabilities		**2,334.0**	1,864.5
Total liabilities		**4,272.0**	5,076.6
Net assets		**2,543.2**	3,270.5
Equity			
Issued capital	C3	**502.6**	502.6
Treasury stock		**(1.4)**	(2.0)
Reserves		**46.8**	19.4
Retained earnings		**1,981.4**	2,737.0
Total parent entity interest		**2,529.4**	3,257.0
Non-controlling interest		**13.8**	13.5
Total equity		**2,543.2**	3,270.5

The Consolidated Balance Sheet is to be read in conjunction with the notes to the financial statements.

(i) Restatement of Intangibles and Deferred tax liability. Refer to note A4 for further information.

Consolidated Statement of Changes in Equity

FOR THE HALF YEAR ENDED 30 JUNE 2020

Millions of dollars	Issued capital	Treasury stock	Foreign currency translation reserve	Hedging reserve	Equity compen-sation reserve	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 January 2019	524.9	(2.5)	33.1	(1.1)	(20.9)	2,828.6	3,362.1	13.1	3,375.2
Total comprehensive income for the half year									
Profit for the period	–	–	–	–	–	155.4	155.4	0.7	156.1
Total other comprehensive income/(loss)	–	–	5.5	(5.2)	–	1.0	1.3	–	1.3
Total comprehensive income for the half year	–	–	5.5	(5.2)	–	156.4	156.7	0.7	157.4
Own shares acquired net of tax	–	(4.3)	–	–	1.3	–	(3.0)	–	(3.0)
Shares vested to employees	–	3.7	–	–	(3.7)	–	–	–	–
Expense on equity settled transactions	–	–	–	–	4.7	–	4.7	–	4.7
Shares bought back	(22.3)	–	–	–	–	(237.8)	(260.1)	–	(260.1)
Dividends to shareholders	–	–	–	–	–	(159.1)	(159.1)	–	(159.1)
Balance at 30 June 2019	502.6	(3.1)	38.6	(6.3)	(18.6)	2,588.1	3,101.3	13.8	3,115.1
Balance at 1 January 2020	**502.6**	**(2.0)**	**42.9**	**(5.0)**	**(18.5)**	**2,737.0**	**3,257.0**	**13.5**	**3,270.5**
Total comprehensive income for the half year									
Loss for the half year	**–**	**–**	**–**	**–**	**–**	**(626.2)**	**(626.2)**	**0.3**	**(625.9)**
Total other comprehensive income	**–**	**–**	**28.5**	**(1.1)**	**–**	**(2.0)**	**25.4**	**–**	**25.4**
Total comprehensive income for the half year	**–**	**–**	**28.5**	**(1.1)**	**–**	**(628.2)**	**(600.8)**	**0.3**	**(600.5)**
Own shares acquired net of tax	**–**	**(0.4)**	**–**	**–**	**0.1**	**–**	**(0.3)**	**–**	**(0.3)**
Shares vested to employees	**–**	**1.0**	**–**	**–**	**(1.0)**	**–**	**–**	**–**	**–**
Expense on equity settled transactions	**–**	**–**	**–**	**–**	**0.9**	**–**	**0.9**	**–**	**0.9**
Dividends to shareholders	**–**	**–**	**–**	**–**	**–**	**(127.4)**	**(127.4)**	**–**	**(127.4)**
Balance at 30 June 2020	**502.6**	**(1.4)**	**71.4**	**(6.1)**	**(18.5)**	**1,981.4**	**2,529.4**	**13.8**	**2,543.2**

The Consolidated Statement of Changes in Equity is to be read in conjunction with the notes to the financial statements.

Consolidated Cash Flow Statement

FOR THE HALF YEAR ENDED 30 JUNE 2020

Millions of dollars	Note	30 June 2020	30 June 2019
Cash flows from operating activities			
Receipts from customers		**12,115.6**	14,407.5
Payments to suppliers, employees and governments		**(12,104.2)**	(14,007.8)
Shares acquired for vesting employee benefits		**(0.4)**	(4.3)
Dividends and disbursements received		**(0.1)**	1.5
Interest received		**0.6**	0.6
Interest and other finance costs paid		**(47.6)**	(56.4)
Income taxes paid		**(29.8)**	(69.1)
Net operating cash (outflows)/inflow		**(65.9)**	272.0
Cash flows from investing activities			
Purchases of property, plant and equipment		**(53.9)**	(76.9)
Major cyclical maintenance		**(29.9)**	(12.4)
Purchases of intangibles		**(3.7)**	(14.4)
Proceeds from sale of property, plant and equipment, net of selling costs		**0.3**	0.3
Net investing cash outflows		**(87.2)**	(103.4)
Cash flows from financing activities			
Proceeds from borrowings		**5,215.6**	5,427.7
Repayments of borrowings		**(4,866.1)**	(5,136.9)
Repayment of lease principal		**(78.7)**	(48.7)
Payments for shares bought back		**-**	(260.2)
Dividends paid	B5	**(127.4)**	(159.1)
Net financing cash inflow/(outflows)		**143.4**	(177.2)
Net decrease in cash and cash equivalents		**(9.7)**	(8.5)
Effect of exchange rate changes on cash and cash equivalents		**(7.2)**	1.3
Decrease in cash and cash equivalents		**(16.9)**	(7.2)
Cash and cash equivalents at the beginning of the period		**35.0**	6.1
Cash and cash equivalents at the end of the period		**18.1**	(1.1)

The Consolidated Cash Flow Statement is to be read in conjunction with the notes to the financial statements.

Notes to the financial statements
A Overview

FOR THE HALF YEAR ENDED 30 JUNE 2020

A1 Reporting entity

Ampol Limited (Ampol or the Company formerly Caltex Australia Limited) is a company limited by shares, incorporated and domiciled in Australia. The shares of Ampol are publicly traded on the Australian Securities Exchange. The consolidated financial statements for the six months ended 30 June 2020 comprise of the Company and its controlled entities (together referred to as the "Group") and the Group's interest in associates and jointly controlled entities. The Group is a for-profit entity and is primarily involved in the purchase, refining, distribution and marketing of petroleum products and the operation of convenience stores.

A2 Basis of preparation

The 2020 Half Year Financial Report is a general-purpose financial report which has been prepared in accordance with the requirements of the *Corporations Act 2001* and Accounting Standard AASB 134 "*Interim Financial Reporting*". This Half Year Financial Report is to be read in conjunction with the 2019 Financial Report and any public announcements by Ampol Limited during the half year in accordance with continuous disclosure obligations under the Corporations Act 2001 and the Australian Securities Exchange (ASX) Listing Rules. The 2020 Half Year Financial Report was approved and authorised for issue by the Board of Directors on 25 August 2020.

The Company is of a kind referred to in *ASIC Corporations Instrument 2016/191* dated 24 March 2016. In accordance with that Instrument, amounts in the consolidated financial report and Directors' Report have been rounded to the nearest hundred thousand dollars, unless otherwise stated. This is a change compared to the 2019 Annual Financial Report presented to the nearest thousand. Comparative figures have been updated accordingly, to comply with the current period presentation.

The consolidated financial report is prepared on the historical cost basis, except for derivative financial instruments, which are measured at fair value, and the defined benefit liability, which is recognised as the net total of the plan assets, plus unrecognised past service costs less the present value of the defined benefit obligation.

The consolidated financial report is presented in Australian dollars, which is the Group's functional currency.

The 2020 Half Year Financial Report has been prepared on an historical cost basis except for derivative financial instruments that are stated at their fair value and lease liabilities.

Except as described below in note A4, the accounting policies applied in these interim financial statements are consistent with those applied as at and for the year ended 31 December 2019 and have been consistently applied by each entity in the Group.

The directors are required to consider the appropriateness of adopting the going concern basis in preparing the 2020 Half Year Financial Report. The key judgements, assumptions and relevant considerations as at 30 June 2020 are discussed in note C1.

A3 Use of judgement and estimates

The preparation of a consolidated financial report in conformity with AASBs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. These accounting policies have been consistently applied by each entity in the Group. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. The judgements, estimates and assumptions impacted by the COVID-19 pandemic are disclosed in notes B3.3, C1 and E5 to the 2020 Half Year Report. The 2020 Half Year Financial Report does not include full note disclosures of the type required in an annual financial report.

A4 Changes in significant accounting policies

AASB 12 Deferred taxes on intangible assets

The Group has adopted the International Financial Reporting Interpretations Committee final agenda decision on Multiple tax consequences of recovering an asset. As a result, the Group recognises a deferred tax liability on the carrying amount of indefinite life acquired assets. Accordingly, the comparative information presented for 2019 has been restated as set out below:

Impacts on financial statements

Impacts on change in accounting policy

The change in accounting policy is summarised below:

Millions of dollars	
Intangible assets	**5.6**
Deferred tax liabilities	**(5.6)**

There are no further impacts for the period.

Notes to the financial statements
B Results for the half year
FOR THE HALF YEAR ENDED 30 JUNE 2020

This section highlights the performance of the Group for the half year, including revenue and other income, costs and expenses, results by operating segment, earnings per share and dividends.

B1 Revenue and other income

Millions of dollars	30 June 2020	30 June 2019
Revenue		
Sale of goods	**7,935.5**	10,180.6
Other revenue		
Rental income	**10.5**	15.1
Royalties and franchise income	**25.9**	33.3
Transaction and merchant fees	**66.7**	52.1
Other(i)	**16.4**	27.6
Total other revenue	**119.5**	128.1
Total revenue	**8,055.0**	10,308.7

(i) Other revenue includes assistance from governments for wage support of $2.1 million received from Australia, New Zealand and Singapore government programs which commenced in April 2020 and is expected to continue in the second half of 2020.

B1.1 Revenue from products and services

Millions of dollars	30 June 2020	30 June 2019
Petrol	**2,350.1**	3,536.5
Diesel	**3,912.5**	4,720.1
Jet	**540.0**	1,123.4
Lubricants	**103.9**	117.7
Specialty and other products	**62.4**	172.2
Crude	**471.3**	110.0
Non-fuel income	**495.3**	400.7
Other revenue(i)	**119.5**	128.1
	8,055.0	10,308.7

(i) Other revenue includes rental, royalties and franchise, transaction and merchant fees and assistance from governments.

Notes to the financial statements
B Results for the half year continued
FOR THE HALF YEAR ENDED 30 JUNE 2020

B2 Costs and expenses

Millions of dollars		30 June 2020	30 June 2019
Finance costs			
Interest expense		**20.7**	26.5
Finance charges on leases		**28.2**	29.3
Unwinding of discount on provisions		**5.3**	9.6
Less: capitalised finance costs		**(0.1)**	-
Finance costs		**54.1**	65.4
Finance income		**(0.7)**	(0.6)
Net finance costs		**53.4**	64.8
Depreciation and amortisation			
Depreciation of:			
Buildings		**7.9**	8.1
Leasehold property		**70.8**	61.6
Plant and equipment		**113.9**	103.2
		192.6	172.9
Amortisation of:			
Intangibles		**15.3**	18.2
Total depreciation and amortisation		**207.9**	191.1
Other expenses			
Net loss on disposal of property, plant and equipment		**10.0**	6.2
Impairment of non-current assets	E5	**354.8**	-
Total other expenses		**364.8**	6.2

B3 Segment reporting
B3.1 Segment disclosures

The accounting policies used by the Group in reporting segments are consistent with those applied as part of the 31 December 2019 Financial Report.

Types of products and services
The following summary describes the operations in each of the Group's reportable segments:

Convenience Retail

The Convenience Retail segment includes revenues and costs associated with fuels and shop offerings at Ampol's network of stores, including royalties and franchise fees on remaining franchise stores.

Fuels & Infrastructure

The Fuels and Infrastructure segment includes revenues and costs associated with the integrated wholesale fuels and lubricants supply for the Group, including the Company's international businesses. This includes Lytton refining, Bulk Fuels sales, Trading and Shipping, Infrastructure, and the Gull and SEAOIL businesses.

Notes to the financial statements
B Results for the half year continued
FOR THE HALF YEAR ENDED 30 JUNE 2020

B3 Segment reporting continued
B3.2 Information about reportable segments

	Convenience Retail		Fuels & Infrastructure		Total operating segments	
Millions of dollars	30 June 2020	30 June 2019	30 June 2020	30 June 2019	30 June 2020	30 June 2019
External segment revenue	**2,025.2**	2,548.5	**6,029.8**	7,760.2	**8,055.0**	10,308.7
Inter-segment revenue	**-**	-	**1,136.6**	1,795.8	**1,136.6**	1,795.8
Total segment revenue	**2,025.2**	2,548.5	**7,166.4**	9,556.0	**9,191.6**	12,104.5
Replacement Cost of sales Operating Profit (RCOP) before interest and income tax excluding significant items(i)	**125.0**	84.6	**112.3**	193.1	**237.3**	277.7

B3.3 Reconciliation of reportable segment revenues, profit or loss and other material items

Millions of dollars	30 June 2020	30 June 2019
Profit or loss		
Segment RCOP(i) before interest and income tax, excluding significant items	**237.3**	277.7
Other expenses	**(16.2)**	(22.2)
RCOP before interest and income tax, excluding significant items	**221.1**	255.5
Significant items excluded from profit or loss reported to the chief operating decision maker:		
Impairment of non-current assets	**(354.8)**	-
Ampol rebranding expense	**(56.9)**	-
Other expenses	**(36.0)**	-
Other revenue	**2.1**	-
Total significant items	**(445.6)**	-
RCOP before interest and income tax	**(224.5)**	255.5
Inventory (loss)/gain	**(620.6)**	29.6
Consolidated historical cost (loss)/profit before interest and income tax	**(845.1)**	285.1
Net financing costs	**(53.4)**	(64.8)
Net profit attributable to non-controlling interest	**0.3**	0.7
Consolidated (loss)/profit before income tax	**(898.2)**	221.0

(i) Replacement Cost of sales Operating Profit (RCOP) (on a pre-tax and post-tax basis) is a non-International Financial Reporting Standards (IFRS) measure. It is derived from the statutory profit adjusted for inventory (losses)/gains as management believes this presents a clearer picture of the Group's underlying business performance as it is consistent with the basis of reporting commonly used within the global downstream oil industry. This is un-audited. RCOP excludes the unintended impact of the fall or rise in oil and product prices (key external factors). It is calculated by restating the cost of sales using the replacement cost of goods sold rather than the historical cost, including the effect of contract-based revenue lags.

Significant Items
Impairment of Non-Current Assets
The Group has recognised an impairment loss of $354.8 million on non-current assets relating to Lytton Refinery cash-generating unit ($80.0 million), Convenience Retail site cash-generating units ($233.0 million) and other specific assets ($41.8 million). This impairment loss has been disclosed in other expenses in the Consolidated Income Statement. Refer to note E5 for further information.

Ampol Rebranding Expense
The Group has recognised an expense of $56.9 million in respect to rebranding due to its contractual obligation to remove Caltex signage and install Ampol branding of sites owned by a third party ($46.0 million), accelerated depreciation ($6.6 million) and other operating expenses ($4.3 million). This expense is included within general and administration expenses for $50.3 million and selling and distribution for $6.6 million in the Consolidated Income Statement.

Notes to the financial statements
B Results for the half year continued
FOR THE HALF YEAR ENDED 30 JUNE 2020

B3.3 Reconciliation of reportable segment revenues, profit or loss and other material items continued

Other Expenses

(i) **Site Remediation Provision**

The impairment of the non-current other specific assets discussed on page 29 and in note E5, includes the impact of the decision to divest Convenience Retail and Depot sites. An environmental remediation provision of $32.3 million, has been recognised in respect of the cost of remediating these sites for alternative use. This expense is included within general and administration expenses in the Consolidated Income Statement.

(i) **Provision for Doubtful Debts**

The provision for doubtful debt has increased by $3.7 million as a result of the expected impact on Ampol customers from COVID-19. This expense is included within general and administration expenses in the Consolidated Income Statement.

Other Revenue

Other revenue includes assistance from governments for wage support of $2.1 million received from Australia, New Zealand and Singapore government programs which commenced in April 2020 and is expected to continue in the second half of 2020. This income is included within revenue in the Consolidated Income Statement.

B4 Earnings per share

Cents per share	30 June 2020	30 June 2019
Historical cost net (loss)/profit attributable to ordinary shareholders – basic	**(247.5)**	60.6
Historical cost net (loss)/profit attributable to ordinary shareholders – diluted	**(247.5)**	60.6
RCOP after tax and excluding significant items – basic	**47.5**	52.6
RCOP after tax and excluding significant items – diluted	**47.5**	52.5

Calculation of earnings per share

Basic historical earnings per share is calculated as the net loss attributable to ordinary shareholders of the parent entity divided by the weighted average number of ordinary shares outstanding during the half year ended 30 June 2020.

Diluted historical cost earnings per share is calculated as the net loss attributable to ordinary shareholders of the parent entity divided by the weighted average number of ordinary shares which has been adjusted to reflect the number of shares that would be issued if all outstanding rights and restricted shares were exercised.

Earnings per share has been disclosed for both the historical cost net loss as well as the RCOP segment method of reporting net profit. RCOP segment method, adjusts statutory profit for significant items and inventory gains and losses. A reconciliation between historical cost net profit attributable to ordinary shareholders of the parent entity and RCOP after tax and excluding significant items is included below:

Millions of dollars	30 June 2020	30 June 2019
Net (loss)/profit after tax attributable to equity holders of the parent entity	**(626.2)**	155.4
Add/Less: Significant items loss after tax	**311.9**	-
Add/Less: Inventory losses/(gains) after tax	**434.4**	(20.7)
RCOP excluding significant items after tax	**120.1**	134.7

Notes to the financial statements
B Results for the half year continued
FOR THE HALF YEAR ENDED 30 JUNE 2020

B4 Earnings per share continued

Weighted average number of shares (millions)	30 June 2020	30 June 2019
Issued shares as at 1 January	**249.7**	260.8
Shares bought back and cancelled	**–**	(11.1)
Issued shares as at 30 June	**249.7**	249.7
Weighted average number of shares as at 30 June – basic	**253.0**	256.3
Weighted average number of shares as at 30 June – diluted	**253.0**	256.6

B5 Dividends declared or paid

Dividends recognised in the current year by the Company are:

	Date of payment	Franked/ unfranked	Cents per share	Total amount $million
2020				
Final 2019	3 April 2020	Franked	51	127.4
Total amount				127.4
2019				
Interim 2019	4 October 2019	Franked	32	79.9
Final 2018	5 April 2019	Franked	61	159.1
Total amount			93	239.0

Subsequent events

Since 30 June 2020, the Directors declared the following dividend. The dividend has not been provided for and there are no income tax consequences for the Group in relation to first half 2020.

Interim 2020	**2 October 2020**	**Franked**	**25**	**62.4**

Notes to the financial statements
C Capital, funding and risk management
FOR THE HALF YEAR ENDED 30 JUNE 2020

C1 Going concern, liquidity and capital management

The Group manages its capital to ensure Ampol will be able to continue as a going concern while maximising value for shareholders.

Whilst COVID-19 has adversely impacted first half 2020 cash flows, Ampol's liquidity position and balance sheet remain strong. The Group has maintained substantial committed undrawn debt capacity with a diverse group of high-quality financial institutions, on appropriate terms with a prudent weighted average maturity of three years. Significant headroom remains to key financial covenants under all the Group's borrowing arrangements.

Decisive management actions have also been taken to support cash flow, liquidity and strengthen the balance sheet including cost-out initiatives, capital expenditure rationalisation, putting in place additional committed debt facilities and trade finance facilities, operational responses and asset sales. In August 2020, Ampol also reached agreement for a Charter Hall and GIC consortium to acquire a 49% interest in 203 freehold convenience retail sites, which will deliver net proceeds of $612 million. The proceeds will be used initially to reduce debt.

C1.1 Interest-bearing liabilities

Millions of dollars	30 June 2020	31 December 2019
Current		
Bank facilities	–	61.0
Lease liabilities	**160.2**	160.5
	160.2	221.5
Non-current		
Bank facilities	**936.6**	532.2
Capital market borrowings(i)	**314.2**	309.8
Lease liabilities	**718.2**	717.3
	1,969.0	1,559.3
Total interest-bearing liabilities	**2,129.2**	1,780.8

(i) Capital market borrowings of $314.2 million includes a fair value adjustment of $15.7 million relating to the fair value hedge of the $300.0 million Australian Medium-Term Note (less borrowing costs of $1.5 million).

Interest-bearing liabilities (excluding lease liabilities) are initially recorded at fair value, less transaction costs. Subsequently, interest-bearing liabilities are measured at amortised cost, using the effective interest method. Any difference between proceeds received net of transaction costs and the amount payable at maturity is recognised over the term of the borrowing using the effective interest method.

C1.2 Capital management

The Group's primary objective when managing capital is to safeguard the ability to continue as a going concern, while delivering on strategic objectives.

The Group's Financial Framework is designed to support the overarching objective of top quartile Total Shareholder Return, relative to the S&P/ASX 100. The framework's key elements are to:

(i) maintain an optimal capital structure that delivers a competitive cost of capital by holding a level of net debt (including lease liabilities) relative to EBITDA that is consistent with investment-grade credit metrics;

(ii) deliver Return on Capital Employed (ROCE) that exceeds the weighted average cost of capital; and

(iii) make disciplined capital allocation decisions between investments, debt reduction and distribution of surplus capital to shareholders.

Notes to the financial statements
C Capital, funding and risk management continued
FOR THE HALF YEAR ENDED 30 JUNE 2020

C1 Going concern, liquidity and capital management continued

C1.2 Capital management continued

The Group's gearing ratio is calculated as net debt/total capital. Net debt is a non-statutory measure calculated as total interest-bearing liabilities (excluding liabilities arising under AASB 16 Leases; refer to Note C1.1) less cash and cash equivalents. Total capital is calculated as equity as shown in the balance sheet plus net debt.

Millions of dollars	30 June 2020	31 December 2019
Interest-bearing liabilities – bank facilities and capital market borrowings	**1,250.8**	903.0
Less: cash and cash equivalents	**(18.1)**	(35.0)
Net debt	**1,232.7**	868.0
Total equity	**2,543.2**	3,270.5
Total capital	**3,775.9**	4,138.5
Gearing ratio	**32.6%**	21.0%

C1.3 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 and maintaining adequate cash reserves and debt facilities. The debt portfolio is periodically reviewed to ensure there is funding flexibility across an appropriate maturity profile.

Debt facility maturity profile of the Group as at 30 June 2020 is as follows:

30 June 2020	2021	2022	2023	2024	Beyond 2024	Funds available	Drawn	Undrawn
Bank facilities – Drawn(i)	**169.4**	**270.0**	**50.0**	**378.3**	**75.0**	**942.7**	**942.7**	**–**
Bank facilities – Undrawn	**400.0**	**505.0**	**50.0**	**727.0**	**100.0**	**1,782.0**	**–**	**1,782.0**
Capital market borrowings – Drawn(ii)	**–**	**–**	**–**	**–**	**300.0**	**300.0**	**300.0**	**–**
Total	**569.4**	**775.0**	**100.0**	**1,105.3**	**475.0**	**3,024.7**	**1,242.7**	**1,782.0**

(i) Bank facilities of $936.6 million comprises of drawn bank debt (less borrowing cost of $6.1m).
(ii) All Capital market borrowings were drawn for the half year June 2020. Refer to note C1.1 annotation for the reconciliation back to $314.2 million half year June 2020 balance.

The Group maintains a strong balance sheet and liquidity position by accessing diversified funding sources made up of committed bank debt facilities and bonds, with a prudent weighted average debt maturity profile of three years.

The Group has taken a conservative approach to further bolster its funding arrangements. During the first half of 2020, the Group extended the tenor on $500.0 million (AUD equivalent) of its existing bank facilities and upsized its bank facilities by $385.0 million. The total available funds at 30 June 2020 was $3,024.7 million (31 December 2019: $2,648.8 million), with $1,782.0 million in undrawn committed bank debt facilities.

Notes to the financial statements
C Capital, funding and risk management continued
FOR THE HALF YEAR ENDED 30 JUNE 2020

C2 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.

The fair value of cash, cash equivalents and non-interest-bearing financial assets and liabilities approximates their carrying value due to their short maturity.

Fair values of recognised financial assets and liabilities with their carrying amounts shown in the balance sheet are as follows:

Millions of dollars		Asset/(Liability)			
30 June 2020	**Carrying amount**	**Fair value total**	**Quoted market price (Level 1)**	**Observable inputs (Level 2)**	**Non-market observable inputs (Level 3)**
Interest-bearing liabilities					
Bank facilities	**(936.6)**	**(934.5)**	**–**	**(934.5)**	**–**
Capital market borrowings	**(314.2)**	**(351.8)**	**–**	**(351.8)**	**–**
Derivatives					
Interest rate swaps	**4.5**	**4.5**	**–**	**4.5**	**–**
Foreign exchange contracts (forwards, swaps and options)	**0.7**	**0.7**	**–**	**0.7**	**–**
Crude and finished product swap and futures contracts	**(60.1)**	**(60.1)**	**(30.0)**	**(30.1)**	**–**
Total	**(1,305.7)**	**(1,341.2)**	**(30.0)**	**(1,311.2)**	**–**

Millions of dollars		Asset/(Liability)			
31 December 2019	**Carrying amount**	**Fair value total**	**Quoted market price (Level 1)**	**Observable inputs (Level 2)**	**Non-market observable inputs (Level 3)**
Interest-bearing liabilities					
Bank facilities	(593.2)	(590.4)	–	(590.4)	–
Capital market borrowings	(309.8)	(344.5)	–	(344.5)	–
Derivatives					
Interest rate swaps	1.2	1.2	–	1.2	–
Foreign exchange contracts (forwards, swaps and options)	(6.2)	(6.2)	–	(6.2)	–
Crude and finished product swap and futures contracts	(27.0)	(27.0)	10.3	(37.3)	–
Total	(935.0)	(966.9)	10.3	(977.2)	–

Notes to the financial statements
C Capital, funding and risk management continued
FOR THE HALF YEAR ENDED 30 JUNE 2020

C2 Fair value of financial assets and liabilities continued

Estimation of fair values

Interest-bearing liabilities

Bank facilities

Estimated as the present value of future cash flows using the applicable market rate.

Capital market borrowings

Determined by quoted market prices or dealer quotes for similar instruments.

Derivatives

Interest rate swaps

The estimated amount that the Group would receive or pay to terminate the swap at balance date taking into account current interest rates and credit adjustments.

Foreign exchange contracts (forwards, swaps and options)

Calculated by reference to current forward exchange rates for contracts with similar maturity profiles as at reporting date. The fair value of foreign exchange options is determined using standard valuation techniques.

Crude and finished product swap and futures contracts

The fair value of crude and product swap contracts is calculated by reference to market prices for contracts with similar maturity profiles at reporting date. The fair value of crude and product futures contracts is determined by quoted market prices.

C3 Issued capital

Millions of dollars	30 June 2020	31 December 2019
Ordinary shares		
Shares on issue at beginning of period – fully paid	**502.6**	524.9
Shares repurchased for cash	**–**	(22.3)
Shares on issue at end of period – fully paid	**502.6**	502.6

In the event of the winding up of the Group, ordinary shareholders rank after all creditors and are fully entitled to any proceeds of liquidation. The Group grants performance rights to Senior Executives; see the 2019 Financial Report for further detail. For each right that vests, the Group intends to purchase shares on-market following vesting.

Notes to the financial statements
D Group Structure
FOR THE HALF YEAR ENDED 30 JUNE 2020

D1 Business combinations

There were no business combinations during the half year ended 30 June 2020 or 30 June 2019.

D2 Controlled entities

Details of entities over which control has been gained or lost during the period

2020

On 5 March 2020, the Group incorporated Ampol Property Manager Pty Ltd (formerly Ampol Convenience REIT FinCo Pty Ltd). There were no other entities over which control was gained or lost during the half year ended 30 June 2020.

2019

On 12 February 2019, the Group gained control of Ampol Shipping & Logistics Pte. Ltd. There were no other entities over which control was gained or lost during the half year ended 30 June 2019.

D3 Equity-accounted investees

Investments in associates and joint ventures

		% Interest	
Name	Country of incorporation	30 June 2020	31 December 2019
Investments in associates			
SEAOIL Philippines Inc.	Philippines	**20**	20
Geraldton Fuel Company Pty Ltd	Australia	**50**	50
Caltas Pty Ltd(i)	Australia	**50**	–
Investments in joint ventures			
Airport Fuel Services Pty Limited	Australia	**40**	40
Australasian Lubricants Manufacturing Company Pty Ltd(ii)	Australia	**50**	50
Cairns Airport Refuelling Service Pty Ltd	Australia	**33.33**	33.33

(i) On 31 January 2020, Caltex Australia Petroleum Pty Ltd converted its $15.0 million 2016 convertible note to a 50% equity interest in Caltas Pty Ltd. The carrying amount of this investment at 30 June 2020 was $15.4 million.

(ii) Australasian Lubricants Manufacturing Company Pty Ltd ceased joint venture operations on 17 April 2015 and had a nil carrying value at 30 June 2020.

The companies listed in the above table were incorporated in Australia and the Philippines, have a 31 December balance date and are principally concerned with the sale, marketing and/or distribution of fuel products and the operation of convenience stores.

Notes to the financial statements
E Other information
FOR THE HALF YEAR ENDED 30 JUNE 2020

E1 Commitments
Capital expenditure

Millions of dollars	30 June 2020	31 December 2019
Capital expenditure contracted but not provided for in the financial report and payable	**23.0**	7.4

E2 Related party disclosures
Associates
On 31 January 2020, Caltex Australia Petroleum Pty Ltd acquired a 50% equity interest in Caltas Pty Ltd which operates a network of service stations across Tasmania.

In the six months ended 2020, the Group sold petroleum products to associates totalling $335,094,000 (1H 2019: $264,877,000) and received income from associates for non-fuel income of $874,000 (1H 2019: $455,000). As at 30 June 2020, the Group had sales receivables from associates of $36,796,000 (1H 2019: $22,693,000).

There were no other material related party disclosures during the half year ended 30 June 2020.

Joint venture and joint operations
The Group has interests in joint arrangements primarily for the marketing, sale and distribution of fuel products and the operation of convenience stores. There were no material related party transactions with the Group's joint arrangements entities during the half year 2020 (1H 2019: nil).

E3 Net tangible assets per share

Millions of dollars	30 June 2020	31 December 2019(i)
Net tangible assets per share	**7.91**	10.73

(i) Restated due to change in accounting policy. Refer to note A4 for further information.

Net tangible assets are net assets attributable to members of Ampol Limited less intangible assets. The number of ordinary shares used in the calculation of net tangible assets per share was 249.7million (2019: 249.7million).

E4 Taxation
At the date of this report, the Australian Taxation Office (ATO) had not finalised its position in relation to the extent to which earnings from the Group's Singaporean entities would be subject to income tax in Australia. Due to the uncertainty over the ATO's final position, the Group has estimated and recognised tax liabilities for 2014 to date based on the income tax rate of 30%, being the Australian corporate income tax rate. The Singaporean corporate income tax rate is 17%; however due to some of the Group's Singaporean entities having status as Global Trader Companies, specified income of those entities is subject to a lower tax rate. The cumulative current and deferred tax expense for the differential between the Australian and Singapore tax rates recognised in the financial statements from 2014 to 30 June 2020 is $139.5 million. Under an administrative agreement made with the ATO, 50% of the differential between the earnings taxable under the Australian and Singaporean taxation rates for the 2014 to 2019 years has been paid or payable pending resolution of the matter. As a result, as at 30 June 2020, $91.2 million is recognised in current tax payable in relation to this matter. If the outcome of the ATO's decision is in Ampol's favour, an amount of income tax expense recognised to date could be written back in future periods. If the tax matter is resolved such that the ATO's position is sustained, there would be no impact on the Ampol income statement or net assets.

Notes to the financial statements
E Other information continued
FOR THE HALF YEAR ENDED 30 JUNE 2020

E5 Impairment of non-current assets

E5.1 Carrying value assessment cash-generating units

The carrying amounts of assets are reviewed to determine if there is an indication of impairment. These tests for impairment are performed by assessing the recoverable amount of each individual asset or, if this is not possible, then the recoverable amount of the cash-generating unit (CGU) to which the asset belongs. CGUs are the lowest levels at which assets are grouped and generate separately identifiable cash flows.

If any such indicator exists, the CGU recoverable amounts are estimated and, if required, an impairment is recognised in the income statement.

Impairment – Lytton Refinery CGU

The global hydrocarbon demand weakness due to government travel restrictions arising from the COVID-19 pandemic, including the impact on regional refiner margins and global trade balances, has impacted the profitability of Lytton Refinery. With refiner margins at historic low levels and hydrocarbon demand weakness globally and in Australia, the Group has assessed the recoverable amount of its Lytton Refinery CGU.

The Group determined the recoverable amount of its Refinery assets by using a discounted value in use cash flow analysis. The analysis uses cash flows projected over a ten-year useful life with a discount rate of 8.5% post tax (pre-tax of 13.0%). Based on this assessment it was determined that the carrying value of the refinery was $80 million in excess of its recoverable amount. An impairment loss of $80 million was recognised with respect to plant and equipment. The loss has been recognised in other expenses in the Consolidated Income Statement.

Determining recoverable amount requires the exercise of significant judgements for both internal and external factors. This includes but not limited to external foreign exchange forecasts and reference to industry specific external analyst forecasts of regional refiner margins. Judgements for internal factors, including but not limited to applicable discount rate, production volumes, wage growth and other operating costs have been made with reference to historical data and forward-looking business plans. Assumptions have been risk adjusted as appropriate to take account of the inherent uncertainty of the future operating environment and market conditions impacting Lytton Refinery, arising from the COVID-19 pandemic. Following the extended Turnaround and Inspection for Lytton Refinery between May and August 2020, a phased restart of the refinery units is expected throughout September 2020. The Group expects the refinery to be able to produce at full production by the beginning of October 2020 and will continue to evaluate make versus buy decisions based on prevailing market conditions. The Group believes that market conditions for refining will continue to be highly uncertain and it will continue to review refining operations. Any decisions with respect to refinery operations may impact future assessments of the recoverability of non-current assets relating to Lytton Refinery.

Sensitivities

Changes in the long-term view of both internal and external judgements may impact the estimated recoverable value. The discounted cash flows are most sensitive to the following assumptions:

Key assumption	Increase in impairment expense
Long term refining margins decreasing by US$1/bbl over a ten-year period	~$240 million
Foreign exchange rate (USD/AUD) increasing by 1 cent	~$30 million
Reduction over a ten-year period in annual production volume by 100ML for each year modelled	~$35 million
Discount rate increase by 1%	~$30 million

Impairment – Convenience Retail site CGUs

The impact of demand reduction due to the uncertainty introduced by COVID-19 indicated that the assets at the site CGU level may be impaired and caused the Group to assess the recoverability of the carrying value of CGUs for Convenience Retail sites.

The Group determined the recoverable amount of the site level CGU assets by using a value in use discounted cash flow analysis. The analysis uses cash flow forecasts based on a three-year period. The forecasts have been risk adjusted to reflect the uncertainty around the timing and level of recovery from the impact of COVID-19. Cash flows beyond this period have been extrapolated using a long-term growth rate of 2.5%. Cash flow forecast for leased site assets are consistent with the term of the lease assessed under AASB 16. The recoverable amount of the CGUs was based on its value in use (with a discount rate of 7.8% post tax and pre-tax of 10.3%).

Based on this assessment it was determined that the carrying value of the Convenience Retail site assets was $233.0 million in excess of its recoverable amount. An impairment loss of $233.0 million was recognised with respect to property, plant and equipment. The loss has been recognised in other expenses in the Consolidated Income Statement.

Despite the challenges of the current environment, the fundamentals of Convenience Retail business remain strong with the Convenience Retail CGU Group carrying value including goodwill assessed above its recoverable amount following recognition of the site CGU impairments.

Notes to the financial statements
E Other information continued
FOR THE HALF YEAR ENDED 30 JUNE 2020

E5 Impairment of non-current assets continued

E5.1 Carrying value assessment cash-generating units continued

Impairment – Convenience Retail site CGUs continued

Determining recoverable amount requires the exercise of significant judgements for both internal and external factors. Judgements for external factors, including but not limited to fuel margin has been made with reference to historical data and observable market data. Judgements for internal factors, including but not limited to applicable discount rate, sale volumes, shop contribution, wage growth and other operating costs have been made with reference to historical data and risk adjusted forward looking business plans given the uncertainty caused by the COVID-19 pandemic.

Sensitivities

Changes in the long-term view of both internal and external judgements may impact the estimated recoverable value. The discounted cash flows are most sensitive to the following assumptions:

Key assumption	Cumulative increase in impairment expense for site level CGU's
EBIT reduction by 10%	~$17 million
Long term growth rate reduction by 1%	~$11 million
Discount rate increase by 1%	~$21 million

Impairment – Other specific assets

COVID-19 has had a significant impact on the operating environment and financial outlook for the Group. A review of company priorities across projects and future investment has been undertaken, to ensure a clearer focus on the organisational priorities post the COVID-19 impact. This has included ceasing IT projects and identifying Convenience Retail and Depot sites to be closed and divested. Based on this assessment it was determined that an asset write down of $41.8 million was required in respect of software intangible assets ($5.5 million) and buildings and plant and equipment ($36.3 million).

E5.2 Carrying value assessment cash-generating unit groups containing goodwill and indefinite life intangibles

The Group tests the carrying amount of property, plant and equipment and intangibles assets for impairment to ensure they are not carried at above their recoverable amounts at least annually for goodwill with indefinite lives and where there is an indication that the assets may be impaired.

As a result of the impact of COVID-19 on the Group's business and the external operating environment it was determined that there were indicators of impairment and accordingly the recoverable amount of CGU Groups have been estimated.

Goodwill and indefinite life intangibles have been allocated to the group of cash-generating units as follows:

Total goodwill and indefinite life intangibles

Millions of dollars	Gull New Zealand	Fuels and Infrastructure other	Convenience Retail	Total
Goodwill	223.9	68.2	113.2	405.3
Indefinite life intangibles	20.1	1.1	–	21.2
Balance at 30 June 2020	244.0	69.3	113.2	426.5

Notes to the financial statements
E Other information continued
FOR THE HALF YEAR ENDED 30 JUNE 2020

E5 Impairment of non-current assets continued

E5.2 Carrying value assessment cash-generating unit groups containing goodwill and indefinite life intangibles continued

The recoverable amount of the group of CGUs including goodwill and indefinite life intangibles has been determined based on a value in use calculation. There were no goodwill impairment losses recognised during the half year ended 30 June 2020 (2019: nil).

Key assumptions used in value in use calculations

Key assumption	Basis for determining value in use assigned to key assumption
Cash flow	Estimated future cash flows are based on the Group's most recent Board approved business plan covering a five-year plan period from 2020 to 2024. The cash flows have been risk adjusted where appropriate to take account of the uncertainty in the timing and extent of recovery post COVID-19. Cash flows beyond the approved business plan period in 2024 are extrapolated using estimated long-term growth rates.
Estimated long-term average growth rate	The cash flows have been extrapolated using a constant growth rate of: Australia and New Zealand 2.5%. The growth rates used do not exceed the long-term growth rate for the industry.
Discount rate	Pre-tax discount rates used vary depending on the nature of the business and the country of operation. The cash flows have been discounted using post tax discount rates of 7.8% to 11.5% and pre-tax discount rates of 10.3% - 13.7% p.a.

Sensitivities

Determining recoverable amount requires the exercise of significant judgements for both internal and external factors. Changes in the long-term view of both internal and external judgements may impact the estimated recoverable value. The recoverable amount of the CGU Groups containing goodwill and indefinite life intangibles would equal its carrying amount if any of the following key assumptions were to change:

CGU Groups	Key Assumptions
Gull New Zealand	Cash contributions reduce by 25% for each year modelled Post tax discount rate increases from 9.4% to 11.8%
Fuels and Infrastructure Other	Cash contributions reduce by 48% for each year modelled Post tax discount rate increases from 9.1% to 15.8%
Convenience Retail	Cash contributions reduce by 13% for each year modelled Post tax discount rate increases from 7.8% to 8.7%

E6 Events after the reporting date

On 11 August 2020, the Group advised the intention to restart the Lytton refinery at the conclusion of its extended outage period during September 2020.

On 17 August 2020 the Group announced the establishment of an unlisted property trust that will own 203 core freehold Convenience Retail sites. As part of the transaction, a Charter Hall and GIC consortium will acquire a 49% minority interest in the property trust for $682 million. Upon completion of the transaction, the Group will hold a 51% controlling interest in the property trust and maintain strategic and operational control of the core Convenience Retail sites. The property trust is intended to remain ungeared and is expected to be consolidated for accounting and ratings purposes. The transaction is expected to complete by the end of 2020, subject to a number of conditions precedent being satisfied.

On 25 August 2020, the Directors declared an interim dividend. Refer to note B5 for further information.

At the date of issue of this report, the future impact of COVID-19 on global and domestic economies and the impact on the Group remains uncertain. The Group continues to actively monitor this situation including the Victorian Stage 4 restrictions.

There were no other items, transactions or events of a material or unusual nature that, in the opinion of the Board, are likely to significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group that have arisen in the period from 30 June 2020 to the date of this report.