Viva Energy Holding Pty Limited and controlled entities
Financial report for the year ended 31 December 2016

ABN: 59 167 883 525

Contents

Directors' Report

The Directors present their report on the consolidated entity comprising of Viva Energy Holding Pty Limited (the 'Company') and the entities it controlled (collectively, the 'Group') during the year ended 31 December 2016.

1 The Names of Directors in office from 1 January 2016 to the date of this report are:

H.M. Kho

J. Ahmed

J. Dellapina (resigned on 1 January 2017)

D. Duong (appointed on 1 January 2017)

R. Hill

2 Company Secretary

L. Pfeiffer

3 Principal activities

During the year the principal activities of the Group consisted of the refining, marketing, sale, supply and distribution of petroleum and related products.

4 Financial results and review of operations

The Group recorded a profit before income tax of $1,699.5 million for the year ended 31 December 2016 (2015: $239.9 million). During the year the Group focused on improving the long term sustainability of its refinery, growing its network of Shell branded service stations across all platforms and building value in the commercial fuels and specialties sectors. Refining margins reduced from the higher levels experienced in 2015 as the Group worked on a major turnaround and inspection of the refinery which was successfully completed in October 2016.

During the year, the Group sold property, plant and equipment relating to 425 freehold service stations into the newly formed Viva Energy REIT (the "Transaction"). Long term leases between the Group and Viva Energy REIT were established so that the retail business continued trading uninterrupted. The Group retained a 40% investment in Viva Energy REIT and recorded a gain of $1,379.3 million before tax associated with the transaction.

As a result of the Transaction, the group fully repaid long term borrowings.

5 Equity, dividends and return of capital

The Company did not declare or pay any dividends during the year ended 31 December 2016 however the Company made a capital return of $163.0 million on 16 November 2016.

There are 17,805,115 options over unissued shares granted on 26 April 2016 to key management personnel. There are multiple classes of options with an average exercise price of US$1.76 per share, vesting between 1 January 2016 and 1 January 2021. No options have been exercised or forfeited during the period and no options have been granted to directors or any of the five highest remunerated officers since the end of the financial year.

On 6 January 2017, the Company declared and paid a dividend of $252.8 million.

6 Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Group during the financial year, which are not otherwise disclosed in this report or the financial statements.

7 Likely developments and expected results of operations

Except as otherwise disclosed in this report, further information on likely developments and their expected results has not been included in this report on the basis that it would be likely to result in unreasonable prejudice to the interests of the Group.

8 Matters subsequent to the end of the financial year

In December 2016, the Company signed an agreement with Shell to purchase its aviation business, Shell Aviation Australia Pty Ltd ('SAA') for a total transaction value of approximately USD 250 million. As at the date of authorisation of this Financial Report this position remains unchanged and the acquisition is expected to be settled during 2017 but after the date of this Financial Report (see note 26).

9 Environmental report

The Group is subject to Federal, State and Local Government environmental regulation in respect of its land holdings, manufacturing, terminal/distribution facilities and marketing operations.

The Group's terminals and refinery operate pursuant to licences issued by the relevant environmental regulators or other authorities.

These licences generally require discharges to air and water to be below specified levels of contaminants, and solid wastes to be removed to an appropriate disposal facility (for some facilities only). These requirements arise under relevant legislation within the jurisdictions the facilities operate within.

During the year there were certain breaches of environmental licence requirements. These were reported to the relevant regulators and the Group has taken steps to investigate, mitigate and reduce the reoccurrence of these incidents. In particular Management has been working with the Victorian Environment Protection Authority to improve the processes at Geelong Refinery to minimize discharges and ensure compliance with regulatory requirements. In particular, the Group received a Clean-Up Notice and a Penalty Infringement Notice relating to Fluoride emissions at Geelong exceeding the facility's environmental licence limit. The Notice has been fully complied with and Fluoride emissions returned to below licence limits within the reporting year.

Losses of containment were reported to environmental authorities in accordance with regulatory obligations and the Group has received formal regulatory notices, including direction for either further investigation or remediation. The Group is working with the relevant environmental authorities in relation to each of these incidents.

10 Insurance of Officers

The Group has entered into agreements to insure the Directors and Secretaries of the Company and the general managers of each of the divisions of the Group. In accordance with common commercial practice, the insurance policy prohibits disclosure of the name of the liability insured against and the amount of the premium.

11 Auditors Independence Declaration

PricewaterhouseCoopers is the auditor of all companies in the Group. A copy of the Auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 7 and forms part of this report.

12 Rounding of amounts

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

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

H.M. Kho
Director
27 April 2017

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Auditor's Independence Declaration

As lead auditor for the audit of Viva Energy Holding Pty Limited for the year ended 31 December 2016, I declare that to the best of my knowledge and belief, there have been:

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

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

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

P Bendall

Paul Bendall
Partner
PricewaterhouseCoopers

Melbourne
27 April 2017

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Consolidated statement of profit or loss

For the year ended 31 December 2016

	Notes	2016 $M	2015 $M
Revenue	1	**14,139.4**	**16,503.8**
Cost of goods sold		(8,275.9)	(10,225.6)
Sale taxes and duties		(4,177.1)	(4,273.4)
Cost of goods sold		**(12,453.0)**	**(14,499.0)**
Gross profit		**1,686.4**	**2,004.8**
Transportation expenses		(582.3)	(740.8)
Salaries and wages		(220.3)	(255.4)
General and administration expense		(191.9)	(181.1)
Maintenance expense		(103.7)	(119.1)
Operating leases	2	(165.8)	(97.0)
Sales and marketing		(97.4)	(97.0)
Realised/unrealised gain/(loss) on derivatives		17.0	(27.3)
Movement in financial assets		129.5	-
Net foreign exchanges (loss)/gain	2	(10.0)	(32.9)
Total operating expenses		**(1,224.9)**	**(1,550.6)**
Net gain on disposal of property, plant and equipment to Viva Energy REIT	21	**1,379.3**	-
Depreciation and amortisation expenses		(78.2)	(76.9)
Finance costs	2	(70.7)	(100.2)
Impairment	2	(2.7)	(19.5)
Net gain/(loss) on other disposal of property, plant and equipment		10.3	(17.7)
Total other expenses		**(141.3)**	**(214.3)**
Profit before income tax expense		**1,699.5**	239.9
Income tax expense	18	(480.4)	(80.1)
Profit after tax		**1,219.1**	**159.8**

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

Consolidated statement of comprehensive income

For the year ended 31 December 2016

	Notes	2016 $M	2015 $M
Profit for the year		**1,219.1**	**159.8**
Other comprehensive income *Other comprehensive income not to be reclassified to profit or loss in subsequent years (net of tax)*			
Remeasurement of retirement benefit obligations	24	1.0	11.8
Net other comprehensive income/(loss)		**1.0**	**11.8**
Total comprehensive income for the year (net of tax)		**1,220.1**	**171.6**

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

Consolidated statement of financial position

As at 31 December 2016

	Notes	2016 $M	2015 $M
ASSETS			
Current assets			
Cash and cash equivalents	4	426.3	188.0
Trade and other receivables	6	1,036.5	1,079.7
Inventories	3	650.1	672.2
Assets classified as held for sale	10	36.6	-
Derivative assets		8.0	0.4
Other current assets	7	59.2	49.2
		2,216.7	**1,989.5**
Non-current assets			
Long-term receivables	11	57.5	124.3
Property, plant and equipment	10	1,188.5	1,737.1
Net deferred tax assets	19	-	72.9
Intangible assets		8.9	11.4
Financial assets	14	177.7	48.2
Post-employment benefits	24	16.4	16.1
Investments accounted for using the equity method	21	593.7	60.0
Other non-current assets		4.2	4.5
		2,046.9	**2,074.5**
Total assets		**4,263.6**	**4,064.0**
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	8	1,359.5	1,245.0
Provisions	12	119.3	138.2
Borrowings	9	-	557.4
Derivative liabilities	14	0.9	17.2
Current tax liabilities		172.5	-
		1,652.2	**1,957.8**
Non-current liabilities			
Provisions	12	137.5	131.3
Borrowings	15	47.6	836.8
Net deferred tax liabilities	19	231.1	-
		416.2	**968.1**
Total liabilities		**2,068.4**	**2,926.8**
Net assets		**2,195.2**	**1,138.1**
Equity			
Contributed equity	16	645.2	808.2
Reserves		8.8	7.8
Retained earnings		1,541.2	322.1
Total equity		**2,195.2**	**1,138.1**

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

Consolidated statement of changes in equity

For the year ended 31 December 2016

	Notes	Contributed equity $M	Reserves $M	Retained earnings $M	Total equity $M
Balance at 1 January 2015		**808.2**	**(4.0)**	**162.3**	**966.5**
Profit for the year		-	-	159.8	159.8
Remeasurement of retirement benefit obligations	24	-	11.8	-	11.8
Total comprehensive income for the year		**-**	**11.8**	**159.8**	**171.6**
Balance at 31 December 2015		**808.2**	**7.8**	**322.1**	**1,138.1**
Balance at 1 January 2016		**808.2**	**7.8**	**322.1**	**1,138.1**
Profit for the year		-	-	1,219.1	1,219.1
Remeasurement of retirement benefit obligations	24	-	1.0	-	1.0
Total comprehensive income for the year		**-**	**1.0**	**1,219.1**	**1,220.1**
Capital return	16	(163.0)			(163.0)
Balance at 31 December 2016		**645.2**	**8.8**	**1,541.2**	**2,195.2**

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

Consolidated statement of cash flows

For the year ended 31 December 2016

	Note	2016 $M	2015 $M
Operating activities			
Receipt from trade and other debtors		15,193.4	17,956.9
Payments to suppliers and employees		(14,705.3)	(17,172.7)
Interest received		3.7	3.2
Interest paid on loans		(40.5)	(79.4)
Interest paid on finance lease		(7.3)	(7.1)
Tax payment in proportionately consolidated joint operation		(0.4)	(0.3)
Net cash flows from/(used in) operating activities		**443.6**	**700.6**
Investing activities			
Purchases of property, plant and equipment		(301.4)	(240.9)
Net proceeds from Viva Energy REIT	21	1,569.2	-
Proceeds from sale of other property, plant and equipment		22.6	3.2
Loans advanced to associate company		-	(5.0)
Loan repayments received from third parties		27.3	21.9
Dividends received from associates		1.8	-
Net cash flows used in investing activities		**1,319.5**	**(220.8)**
Financing activities			
Drawdown of borrowings		645.0	1,180.0
Repayments of borrowings		(2,006.8)	(1,535.0)
Return of capital		(163.0)	-
Net cash flows (used in)/from financing activities		**(1,524.8)**	**(355.0)**
Net increase in cash and cash equivalents		238.3	124.8
Cash and cash equivalents at the beginning of the year		188.0	63.2
Cash and cash equivalents at the end of the year	4	**426.3**	**188.0**

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

Notes to the consolidated financial statements

Reporting entity

The consolidated financial statements of Viva Energy Holding Pty Limited ('Company') and the entities it controlled (collectively, 'Group') for the year ended 31 December 2016 were authorised for issue in accordance with a resolution of the Directors on 27 April 2016. The Company is a for-profit company for the purpose of preparing the financial statements.

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

Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). The financial report has been prepared on a historical cost basis, except for financial assets and liabilities (including derivative instruments) which have been measured at fair value. The consolidated financial statements of the Group comply with Australian Accounting Standards – Reduced Disclosure Requirements as issued by the AASB.

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

Functional and presentation currency

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

Use of estimates and judgements

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

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

- Information about the assumptions and the risk factors relating to impairment are described in Notes 6 (trade and other receivables) and 10 (property, plant and equipment);
- Note 10 (property, plant and equipment) describes the company's policy on minimum operating stock;
- Note 12 provides key sources of estimation, uncertainty and assumptions used in regards to estimation of provisions;
- Note 14 provides an explanation of the key assumptions used to determine the fair value of financial assets; and
- Information about the assumptions and the risk factors relating to income tax expense and deferred tax balances are described in Notes 18 and 19.

Reclassification

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

The Company reviewed this financial report and determined that in order to give shareholders a better understanding as to how the Company deploys its resources, it would show other expenses within the functional way which they are incurred. The $745.6m of other expenses in 2015 has been reclassified into the relevant functional splits.

Standards issued but not yet effective

Standards issued but not yet effective up to the date of the issuance of the Group's consolidated financial statements which are likely to have a material impact are listed below and detailed in the relevant notes.

- AASB 9 Financial Instruments (effective 1 January 2018) discussed in note 14;
- AASB 15 Revenue from Contracts with Customers (effective 1 January 2018) discussed in note 1; and
- AASB 16 Leases (effective 1 January 2019) discussed in note 13.

The Group reasonably expects these standards (and interpretations) to be applicable at a future date. The Group intends to adopt these standards when they become effective. All other standards issued but not yet effective are not expected to have a material effect of the financial statements.

Results for the Year

1. Revenue

	2016	2015
	$M	**$M**
Revenue from sale of goods	13,967.4	16,350.9
Rents and sub-lease rentals	147.4	132.3
Interest	8.5	9.2
Other revenue	16.1	11.4
Total revenue	**14,139.4**	**16,503.8**

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

Revenue for other business activities is recognised on the following basis:

(i) Interest income recognised using the effective interest method

(ii) Sub lease rentals are recognised in income on a straight line basis over the lease term.

Standards issued but not yet effective impacting Revenue

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

AASB 15 specifies the accounting treatment for revenue arising from contracts with customers (except for contracts within the scope of other accounting standards such as leases or financial instruments).The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Group is currently in the process of assessing the impact of AASB 15 on revenue recognition.

2. Expenses

	2016	2015
	$M	**$M**
Net foreign exchange gain/(loss)		
Foreign exchange gains	155.0	169.8
Foreign exchange losses	(165.0)	(202.7)
	(10.0)	**(32.9)**

Foreign currency transactions are translated into Australian dollars using the exchange rate at the date of transactions. Gains and losses resulting from the settlement of such transactions and from the translation of foreign exchange denominated monetary assets and liabilities at year end exchange rates are recognised in profit or loss.

2. Expenses (continued)

	2016	2015
	$M	$M
Finance costs		
Interest on debts and borrowings	56.2	83.1
Interest on finance lease	7.8	7.2
Unwinding of discount on provisions	6.7	9.9
	70.7	**100.2**
Impairment		
Impairment of inventories	-	17.4
Impairment of receivables	2.7	2.1
	2.7	**19.5**
Operating leases		
Leases from Viva Energy REIT	49.2	-
Straight lining on leases from Viva Energy REIT	12.1	-
Other operating leases	104.5	97.0
	165.8	**97.0**

Working capital and cash flow

3. Inventories

	2016	2015
	$M	$M
Crude for processing - at cost	247.9	135.9
Crude for processing - at net realisable value	-	2.8
Hydrocarbon finished products - at cost	385.6	442.0
Hydrocarbon finished products - at net realisable value	-	76.3
	633.5	**657.0**
Stores and spare parts	16.6	15.2
Total inventories	**650.1**	**672.2**

Inventories are stated at the lower of cost and net realisable value. Cost is based on the first in first out (FIFO) principle and includes the direct cost of acquisition or manufacture plus a proportionate share of appropriate functional overheads, depreciation and amortisation.

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

Impairment of inventories is recognised when net realisable value falls below carrying cost. Net realisable value is determined based on market selling price under existing contracts.

Impairment of inventories during the year amounted to nil (2015: $17.4 million) and is recorded in impairment in the consolidated statement of profit or loss.

4. Cash and cash equivalents

	2016	2015
	$M	$M
Cash at bank	426.3	188.0

Cash and cash equivalents include cash on hand and deposits held at call with financial institutions. Cash at bank earns interest at floating rates based on daily bank deposit rates during the year, and at the end of the reporting year there were no restrictions on cash (2015: nil).

At the end of the reporting period, the Group had access to undrawn borrowing facilities amounting to $1,520.2 million (2015: $1,219.6 million). The facilities are subject to a floating rate. These bank loan facilities may be drawn down in Australian Dollars or United States Dollars. The amount drawn at 31 December 2016 is nil (2015: $560 million).

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

	Notes	2016 $M	2015 $M
Profit		**1,219.1**	**159.8**
Adjustments for:			
Net gain on disposal of property, plant and equipment to Viva Energy REIT	21	(1,379.3)	-
Net (gain)/loss on other disposal of property, plant and equipment		(10.3)	17.7
Depreciation and amortisation		78.2	76.9
Non-cash interest received on loan to third party		(4.8)	(6.0)
Non-cash amortisation of long term loans		14.7	8.1
Non-cash movement in financial assets		(129.5)	-
Non-cash movement in other receivables		22.5	-
Amortisation of finance lease		0.5	0.1
Unrealised (gain)/loss on derivatives		(23.9)	98.3
Unrealised foreign exchange (gain)/loss		6.6	(36.6)
Share of (profit) of associate not received as dividends or distribution		-	(2.5)
Movements in assets and liabilities:			
(Increase)/decrease in receivables		64.9	167.7
(Increase)/decrease in inventories		22.1	103.6
(Increase)/decrease in other assets		(9.8)	(11.3)
(Increase)/decrease in deferred tax assets		303.6	80.2
(Increase)/decrease in post-employment benefits		1.1	1.5
Increase/(decrease) in payables		108.1	40.6
Increase/(decrease) in tax liability		172.5	-
Increase/(decrease) in provisions		(12.7)	2.5
Net cash flows from operating activities		**443.6**	**700.6**

6. Trade and other receivables

	2016 $M	2015 $M
Trade receivables		
Trade receivables	884.8	946.6
Provision for impairment of receivables	(6.0)	(3.3)
Total trade receivables	**878.8**	**943.3**
Other receivables		
Receivables from related parties	62.2	35.2
Consideration receivable	34.6	53.2
Other debtors	60.9	48.0
	157.7	**136.4**
Total receivables	**1,036.5**	**1,079.7**

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

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

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

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

6. Trade and other receivables (continued)

Significant Estimate

Consideration receivable relates primarily to amounts receivable arising from the Company's acquisition of Shell Australia Limited, for recovery of certain costs. These receivables are recorded at their fair value based on estimates of future cost recoveries. Future cost recoveries are based on management's best estimate of costs that are likely to be incurred in the future in relation to recoverable activities.

Ageing of receivables

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

The ageing analysis of trade receivables was as follows:

			Past due				
	Total	Not past due	<30 days	30-60 days	61-90 days	91-120 days	>120 days
	$M	$M	$M	$M	$M	$M	$M
2016	878.8	867.0	2.4	1.9	2.6	-	4.9
2015	943.3	925.3	11.3	0.6	-	0.4	5.7

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

	2016	2015
	$M	$M
At 1 January	(3.3)	(2.8)
Provision for impairment recognised	(2.7)	(2.0)
Receivables written off as uncollectible	-	1.6
At 31 December	**(6.0)**	**(3.2)**

7. Other current assets

	2016	2015
	$M	$M
Prepayments	51.8	38.7
Other	7.4	10.5
Total other current assets	**59.2**	**49.2**

Prepayments primarily relate to head leases and council rates.

8. Trade and other payables

	2016	2015
	$M	$M
Trade payables	646.1	507.4
Amounts due to related parties	713.4	737.6
Total current trade and other payables	**1,359.5**	**1,245.0**

Trade payables and amounts due to related parties are non-interest bearing and are normally settled in 30 to 60 days. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the end of the reporting period.

9. Short-term borrowings

	2016 $M	2015 $M
Secured		
Short-term bank loans	-	557.4
Total current borrowings	**-**	**557.4**

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

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. Borrowings were repaid in full during the year as a result of the proceeds from disposal of property, plant and equipment to Viva Energy REIT.

Long-term assets and liabilities

10. Property, plant and equipment

	Construction in Progress $M	Freehold land $M	Freehold buildings $M	Leasehold buildings $M	Plant and equipment $M	Total $M
Cost						
As at 1 January 2015	60.7	646.5	210.9	72.4	626.0	1,616.5
Reclassification	-	18.3	(25.3)	(3.0)	10.0	-
Additions	128.8	22.2	12.9	-	79.2	243.1
Disposals	-	(12.1)	(2.5)	-	(8.6)	(23.2)
Transfers	(65.5)	0.8	13.7	-	51.0	-
As at 31 December 2015	**124.0**	**675.7**	**209.7**	**69.4**	**757.6**	**1,836.4**
Additions	152.2	0.5	6.5	-	146.6	305.8
Disposal to Viva Energy REIT	-	(501.0)	(70.3)	(10.8)	(143.4)	(725.5)
Other disposals	(0.7)	(11.8)	0.8	-	(4.9)	(16.6)
Transfers	(65.9)	3.3	10.9	-	51.7	-
Assets held for sale (Net book value)	-	(36.4)	(0.1)	-	(0.1)	(36.6)
As at 31 December 2016	**209.6**	**130.3**	**157.5**	**58.6**	**807.5**	**1,363.5**
Accumulated depreciation						
As at 1 January 2015	-	-	(6.6)	(1.0)	(17.3)	(24.9)
Depreciation	-	-	(11.5)	(3.5)	(59.4)	(74.4)
As at 31 December 2015	**-**	**-**	**(18.1)**	**(4.5)**	**(76.7)**	**(99.3)**
Depreciation	-	-	(11.6)	(3.2)	(60.9)	(75.7)
As at 31 December 2016	**-**	**-**	**(29.7)**	**(7.7)**	**(137.6)**	**(175.0)**
Net book value						
As at 31 December 2015	124.0	675.7	191.6	64.9	680.9	1,737.1
As at 31 December 2016	**209.6**	**130.3**	**127.8**	**50.9**	**669.9**	**1,188.5**

10. Property, plant and equipment (continued)

All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

• buildings	20 years
• plant and equipment	5-15 years
• supply and refining infrastructure	20-30 years
• land	Not depreciated.

Minimum operating stock – significant estimate

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

Impairment of assets – significant estimate

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. In undertaking this assessment, the Group considers both internal and external sources of information. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account.

If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non-financial assets other than goodwill that are impaired are reviewed for possible reversal of the impairment at each reporting date.

The Group did not identify any indicators of impairment for the year ended 31 December 2016 (2015: nil).

11. Long-term receivables

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

12. Provisions

	Employee benefits	Restructuring	Restoration	Environmental remediation	Other	Total
	$M	$M	$M	$M	$M	$M
At 1 January 2016	**87.9**	**14.3**	**104.0**	**45.0**	**18.3**	**269.5**
Additions (Write-back)	16.0	0.6	(7.2)	0.5	15.7	25.6
Utilised	(19.5)	(8.0)	(5.4)	(11.0)	(1.0)	(44.9)
Unwinding of discount	2.3	-	3.3	0.5	0.5	6.6
At 31 December 2016	**86.7**	**6.9**	**94.7**	**35.0**	**33.5**	**256.8**
Current	73.2	6.7	15.7	17.4	6.3	119.3
Non-current	13.5	0.2	79.0	17.6	27.2	137.5

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

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(i) Employee benefit provisions

Liabilities for wages and salaries, including annual leave and sick leave expected to be settled within 12 months of the end of the year, are measured at the amounts expected to be paid.

Liabilities for long service leave and annual leave that are not expected to be settled within 12 months of the end of the year are measured at present value. In determining present value, consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields of corporate bonds.

(ii) Restoration provisions – significant estimate

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

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

12. Provisions (continued)

The Group has recognised a provision for decommissioning obligations associated with plant and equipment including tanks at retail service station sites and fuel storage terminals. In determining the fair value of the provision, assumptions and estimates are made in relation to discount rates, the expected cost to dismantle and remove the assets from the site and the expected timing of those costs. The carrying amount of the provision as at 31 December 2016 was $94.7 million (2015: $104.0 million). The Group estimates that the costs would be realised upon exit of the sites or disposal of the assets.

(iii) Environmental provisions – significant estimate

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

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

13. Commitments and contingencies

(a) Capital commitments

At 31 December 2016, the Group had capital commitments related to property, plant and equipment totalling $32.2 million (2015: $53.2 million).

(b) Lease commitments

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

(i) Group as a lessee

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

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

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

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

(ii) Group as a lessor

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

The Group leases various service station sites, office premises, vehicles, shipping vessels and storage facilities under non-cancellable operating leases expiring within two to 20 years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

13. Commitments and contingencies (continued)

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

	2016	2015
	$M	$M
Commitments for minimum lease payments in relation to non-cancellable operating leases payable		
Within one year	258.0	129.6
After one year but not more than five years	921.2	367.4
More than five years	1,784.5	227.2
	2,963.7	**724.2**

Amongst the above commitments, the following are minimum lease payments in relation to non-cancellable operating leases payable to Viva Energy REIT.

	2016	2015
	$M	$M
Within one year	127.4	-
After one year but not more than five years	548.8	-
More than five years	1,567.2	-
	2,243.4	-

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

	2016	2015
	$M	$M
Within one year	139.5	135.6
After one year but not more than five years	478.0	476.5
More than five years	935.5	378.6
	1,553.0	**990.7**

(iii) Finance leases

Future minimum lease payments under finance lease are as follows:

	2016	2015
	$M	$M
Within one year	7.5	7.3
After one year but not more than five years	31.9	31.1
More than five years	119.8	128.1
Minimum lease payments	**159.2**	**166.5**
Future finance charges	(109.1)	(116.9)
Total lease liabilities	**50.1**	**49.6**

Standards issued but not yet effective impacting Leases

AASB 16 *Leases* (effective 1 January 2019)

AASB 16 represents a significant change for lessees in operating leases. With the exception of low value and short-term leases, all leases must be recognised on the lessee's statement of financial position. Accordingly, lessees will have one accounting model for accounting for leases, which is similar to the current finance lease model in AASB 117 *Leases*. The Group is yet to calculate the impact of AASB 16; however, it is expected to be significant given the Group enters into material leases accounted for as operating leases.

13. Commitments and contingencies (continued)

(c) Guarantees

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

Under the terms of Deed of Cross Guarantee entered in accordance with ASIC Instrument 2016/785, each Group entity guarantees to each creditor payment in full of any debt in accordance with the Deed.

Parties to the deed are identified in Note 23. No liabilities have been recognised in the consolidated statement of financial position in respect of financial guarantee contracts.

(d) Contingencies and other disclosures

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

(e) Other

As at 31 December 2016, other contingent liabilities of $16.1 million (2015: $6.2 million) included property leases, supply contracts and other legal claims.

Capital funding

14. Financial assets and liabilities

(a) Investments and other financial assets

Classification

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

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets

Financial assets relate to contractual rights to receive future cash flows associated with arrangements in place with Shell. Management have determined the fair value, which is classified as level 3 in the fair value hierarchy, based on discounting estimated future cash flows at a weighted average cost of capital that is appropriate to the risk associated with the underlying cash flow. In the year ended 31 December 2016 the value of financial assets have increased due to the passage of time associated with discounting and increases in estimates of the underlying cash flows.

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

14. Financial assets and liabilities (continued)

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

	2016	2015
	$M	$M
Derivative assets	8.0	0.4
Derivative liabilities	0.9	17.2

Management have determined the fair value, which is classified as level 2 in the fair value hierarchy, using the present value of estimated future settlements based on market quoted information.

Gains or losses arising from changes in the fair value of financial assets at fair value through profit or loss category are presented in profit or loss within other income or other expenses in the period in which they arise. Interest income from these financial assets is included in revenue from continuing operations.

Standards issued but not yet effective impacting Financial Instruments

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

In December 2014, the AASB issued the final version of AASB 9 *Financial Instruments*. AASB 9 includes guidance on the classification and measurement of financial assets and financial liabilities, impairment of financial assets and a new hedge accounting model. Under the classification and measurement requirements for financial assets, financial assets must be classified and measured at either amortised cost or at fair value through profit or loss or through other comprehensive income, depending on the basis of the entity's business model for managing the financial asset and the contractual cash flow characteristics of the financial asset. AASB 9 requirements address the problem of volatility in net earnings arising from an issuer choosing to measure certain liabilities at fair value and require that the portion of the change in fair value due to changes in the entity's own credit risk be presented in other comprehensive income, rather than within net earnings. The Group is currently in the process of assessing the impact of AASB 9. However, the new general hedge accounting model is not expected to have a material effect on the financial statements as the Group does not apply hedge accounting.

15. Long-term borrowings

	2016	2015
	$M	$M
Long-term bank loans	(2.5)	787.2
Finance lease liability	50.1	49.6
Total non-current borrowings	**47.6**	**836.8**

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

The weighted average interest rate on long-term borrowings in 2016 was 4.77% (2015: 5.02%). The weighted average interest rate on short-term borrowings in 2016 was 3.47% (2015: 3.92%).

16. Contributed equity

Ordinary shares are classified as equity.

	2016 and 2015	
	Shares	$M
Issued shares		
Ordinary shares - fully paid at $0.9986 per share	809,323,406	808.2
Capital return at $0.2014 per share	-	(163.0)
As at 31 December 2016	**809,323,406**	**645.2**

17. Fair value measurement

Fair value measurement hierarchy for the Group as at 31 December 2016

	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	$M	$M
Assets measured at fair value		
Financial assets	-	177.7
Derivative assets	8.0	-
Liabilities measured at fair value		
Derivative liabilities	0.9	-
Total	**8.9**	**177.7**

Fair value measurement hierarchy for the Group as at 31 December 2015

	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	$M	$M
Assets measured at fair value		
Derivative assets	0.4	-
Financial assets	-	48.2
Liabilities measured at fair value		
Derivative liabilities	17.2	-
Floating rate borrowings	1,344.6	-
Total	**1,362.2**	**48.2**

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

Management assessed that the fair value of financial assets and financial liabilities approximated their carrying amount.

Tax

18. Income tax

Consolidated statement of profit or loss

	2016 $M	2015 $M
(a) Income tax expense		
Current income tax:		
Current tax expense	177.4	1.6
Deferred tax expense	303.5	77.5
Adjustment relating to prior periods	(0.5)	1.0
Income tax expense reported in the statement of profit or loss	**480.4**	**80.1**
Deferred income tax expense/ included in income tax expense/ comprises:		
Decrease in deferred tax assets (Note 19)	67.6	65.3
Increase in deferred tax liabilities (Note 19)	235.9	12.2
	303.5	**77.5**

Consolidated statement of other comprehensive income

	2016 $M	2015 $M
Deferred tax related to items recognised in other comprehensive income during the period:		
Remeasurement of defined benefit obligations	(0.5)	(5.0)
(b) Reconciliation of income tax expense to prima facie tax payable		
Accounting profit before income tax expense	1,699.5	239.9
Tax at the Australian tax rate of 30%	509.8	72.0
Other non-assessable income	-	(1.2)
Non-deductible transaction costs	-	0.2
Research and development expenditure	4.0	7.4
Property, plant and equipment deferred tax asset derecognition	-	8.0
Recognition of previously unrecognised tax base on REIT assets	(57.6)	-
Election to form tax consolidated group	29.4	-
Remeasurement of defined benefit obligations	0.5	5.0
Sundry items	1.2	(2.1)
Adjustment relating to prior periods	(0.5)	1.0
Non-refundable carry forward tax offsets	(6.4)	(10.2)
Income tax expense/ for the period	**480.4**	**80.1**

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

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

Tax Consolidation

The Company and its wholly-owned Australian controlled entities (see note 20) have implemented the tax consolidation legislation.

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

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

18. Income tax (continued)

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

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

The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

19. Deferred tax

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

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

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

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

	2016	2015
	$M	$M
Deferred tax assets		
The balance comprises combined temporary differences attributable to:		
Tax losses	-	73.6
Inventories	53.0	45.4
Decommissioning obligations	28.1	31.2
Employee benefits	17.5	15.4
Other	18.2	19.3
Total deferred tax assets	**116.8**	**184.9**
Deferred tax liabilities		
The balance comprises combined temporary differences attributable to:		
Property, plant and equipment	(124.1)	(91.6)
Intangible assets	(3.4)	(3.4)
Derivative contracts	(6.4)	(2.5)
Financial assets and investments	(214.0)	(14.5)
Other	-	-
Total deferred tax liabilities	**(347.9)**	**(112.0)**
Net deferred tax liabilities	**(231.1)**	**72.9**
Deferred tax balances expected to be recovered/(incurred) within 12 months	(2.3)	31.3
Deferred tax balances expected to be recovered/(incurred) after more than 12 months	(228.8)	41.6
	(231.1)	**72.9**

19. Deferred tax (continued)

Movements in deferred tax assets

2015 movements

	Tax losses	Inventories	Asset retirement obligations	Employee benefits	Other	Total
	$M	$M	$M	$M	$M	$M
Opening balance at 1 January 2015	123.3	61.5	31.4	21.6	18.3	256.1
(Charged)/credited:						
To profit or loss (Note 18)	(50.3)	(16.1)	(0.2)	(1.2)	2.5	(65.3)
Directly to equity	-	-	-	(5.0)	-	(5.0)
Other movements	0.6	-	-	-	(1.5)	(0.9)
Closing balance at 31 December 2015	**73.6**	**45.4**	**31.2**	**15.4**	**19.3**	**184.9**

2016 movements

	Tax losses	Inventories	Asset retirement obligations	Employee benefits	Other	Total
	$M	$M	$M	$M	$M	$M
Opening balance at 1 January 2016	73.6	45.4	31.2	15.4	19.3	184.9
(Charged)/credited:						
To profit or loss (Note 18)	(73.6)	7.6	(3.1)	2.6	(1.1)	(67.6)
Directly to equity	-	-	-	(0.5)	-	(0.5)
Closing balance at 31 December 2016	**-**	**53.0**	**28.1**	**17.5**	**18.2**	**116.8**

Movements in deferred tax liabilities

2015 movements

	Property, Plant and Equipment	Intangible assets	Derivative contracts	Financial assets and investments	Other	Total
	$M	$M	$M	$M	$M	$M
Opening balance at 1 January 2015	(53.9)	(4.2)	(21.1)	(14.5)	(6.1)	(99.8)
(Charged)/credited:						
To profit and loss (Note 18)	(37.7)	0.8	16.0	-	8.7	(12.2)
Other movements	-	-	2.6	-	(2.6)	-
Closing balance at 31 December 2015	**(91.6)**	**(3.4)**	**(2.5)**	**(14.5)**	**-**	**(112.0)**

2016 movements

	Property, Plant and Equipment	Intangible assets	Derivative contracts	Financial assets and investments	Other	Total
	$M	$M	$M	$M	$M	$M
Opening balance at 1 January 2016	(91.6)	(3.4)	(2.5)	(14.5)	-	(112.0)
(Charged)/credited:						
To profit and loss (Note 18)	(32.5)	-	(3.9)	(199.5)	-	(235.9)
Closing balance at 31 December 2016	**(124.1)**	**(3.4)**	**(6.4)**	**(214.0)**	**-**	**(347.9)**

Group structure

Principles of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2016. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

A list of controlled entities is below:

20. Controlled entities

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

21. Interests in associates and joint operations

Associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The Group's investments in associates are accounted for using the equity method.

The Group has a non-controlling interest in the following entities:

Name of entity	Country of incorporation/establishment	Equity holding 2016 %	Equity holding 2015 %	Value $M
Liberty Oil Holdings Pty Limited	Australia	50	50	58.1
Viva Energy REIT	Australia	40	-	535.6

Liberty Oil Holdings Pty Limited

Liberty Oil Holdings Pty Limited is a private entity that is based in Melbourne, Australia.

Viva Energy REIT

Viva Energy REIT is an ASX listed real estate investment trust that owns a portfolio of service stations leased to Viva Energy Australia Pty Limited.

These investments are classified as investments in associates and have been recognised in the financial statements using the equity method.

During the year, the Group sold property, plant and equipment into the newly formed Viva Energy REIT. A reconciliation of the gain on sale is outlined below.

Reconciliation of net gain on disposal of Property, plant and equipment to Viva Energy REIT

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

21. Interests in associates and joint operations (continued)

Joint operations

The Company recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held assets, liabilities, revenues and expenses. These have been incorporated in the financial statements under the appropriate headings.

The Group's investments in W.A.G. Pipeline Pty Limited and Crib Point Terminal Pty Limited are classified as joint operations under AASB 11 *Joint Arrangements* and the Group recognises its direct right to the jointly held assets, liabilities, revenues and expenses and has proportionately consolidated its interests under the appropriate headings in the financial statements.

22. Parent company financial information

Viva Energy Holding Pty Limited	**2016**	**2015**
	$M	**$M**
Statement of financial position		
Current assets	48.7	66.6
Non-current assets	680.8	2,060.4
Total assets	**729.5**	**2,127.0**
Current liabilities	46.9	39.8
Non-current liabilities	3.0	1,353.0
Total liabilities	**49.9**	**1,392.8**
Contributed equity	645.2	808.2
Retained earnings	34.4	(74.0)
Total equity	**679.6**	**734.2**
Results		
Profit/(loss) of the Company	108.3	16.0
Total comprehensive income/(loss) of the Company	**108.3**	**16.0**

23. Deed of Cross Guarantee

Viva Energy Holding Pty Limited, Viva Energy Australia Group Pty Limited, Viva Energy Australia Pty Limited, Viva Energy Refining Pty Limited, VER Manager Pty Limited and Viva Energy Gas Pty Limited are parties to a Deed of Cross Guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and directors' report under Instrument 2016/785 issued by the Australian Securities and Investments Commission.

Under the Deed of Cross Guarantee, each entity listed above guarantees to each creditor payment in full of any debt in accordance with the terms of the deed. The deed becomes enforceable in respect of the debt of a Group entity upon (or after a resolution for) the winding up of the Group entity.

The above companies represent a 'Closed Group' for the purposes of the Instrument, and as there are no other parties to the Deed of Cross Guarantee that are controlled by Viva Energy Holding Pty Limited.

The aggregate assets and liabilities of the companies which are party to the Deed of Cross Guarantee and the aggregate of their results for the period to 31 December 2016 are set out below:

23. Deed of Cross Guarantee (continued)

	2016	2015
	$M	$M
Revenue	**14,139.4**	**16,503.8**
Cost of goods sold	(8,275.7)	(10,225.4)
Sale taxes and duties	(4,177.1)	(4,273.4)
Cost of goods sold	**(12,452.8)**	**(14,498.8)**
Gross profit	**1,686.6**	**2,005.0**
Transportation expenses	(586.8)	(744.6)
Salaries and wages	(220.3)	(255.4)
General and administration expense	(188.3)	(178.3)
Maintenance expense	(103.7)	(119.1)
Operating leases	(165.8)	(97.0)
Sales and marketing	(97.4)	(97.0)
Realised/unrealised gain/(loss) on derivatives	17.0	(27.3)
Movement in financial assets	129.5	-
Net foreign exchanges (loss)/gain	(10.0)	(32.9)
Total operating expenses	**(1,225.8)**	**(1,551.6)**
Net gain on disposal of property, plant and equipment to Viva Energy REIT	**1,379.3**	-
Depreciation and amortisation expenses	(78.2)	(76.9)
Finance costs	(70.7)	(100.2)
Impairment	(2.7)	(19.5)
Net gain/(loss) on other disposal of property, plant and equipment	(10.3)	(17.7)
Total other expenses	**(141.3)**	**(214.3)**
Profit before income tax expense	**1,698.8**	**239.1**
Income tax expense	(480.2)	(79.9)
Profit after tax	**1,218.6**	**159.2**

23. Deed of Cross Guarantee (continued)

	2016 $M	2015 $M
ASSETS		
Current assets		
Cash and cash equivalents	426.1	187.5
Trade and other receivables	1,032.4	1,075.6
Inventories	649.6	671.7
Assets classified as held for sale	36.6	-
Derivative assets	8.0	0.4
Other current assets	59.2	49.2
	2,211.9	**1,984.4**
Non-current assets		
Long-term receivables	57.5	124.3
Property, plant and equipment	1,185.4	1,733.9
Net deferred tax assets	-	73.0
Intangible assets	8.9	11.4
Financial assets	177.7	48.2
Post-employment benefits	16.4	16.1
Investments accounted for using the equity method	593.7	61.4
Other non-current assets	4.2	4.5
	2,043.8	**2,072.8**
Total assets	**4,255.7**	**4,057.2**
LIABILITIES AND EQUITY		
Current liabilities		
Trade and other payables	1,358.8	1,243.9
Provisions	119.2	138.2
Borrowings	-	557.4
Derivative liabilities	0.9	17.2
Current tax liabilities	172.4	-
	1,651.3	**1,956.7**
Non-current liabilities		
Provisions	137.5	131.3
Borrowings	45.3	834.5
Net deferred tax liabilities	231.1	-
	413.9	**965.8**
Total liabilities	**2,065.2**	**2,922.5**
Net assets	**2,190.5**	**1,134.7**
Equity		
Contributed equity	641.0	804.0
Reserves	8.8	7.8
Retained earnings	1,540.7	322.9
Total equity	**2,190.5**	**1,134.7**

Other

24. Post-employment benefits

(a) Superannuation plan

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

The VESF is a sub-plan of the Plum Superannuation Fund which is operated by PFS Nominees Pty Limited (the Trustee). The Plan is a "regulated fund" under the provision of the Superannuation Industry (Supervision) Act 1993. The Plan is treated as a complying defined benefit superannuation fund for taxation purposes.

The Group's superannuation plan has a defined benefit section and a defined contribution section. The defined benefit section provides defined lump sum benefits based on years of service and final average salary. The defined contribution section receives fixed contributions from Group companies and the Group's legal or constructive obligation is limited to these contributions. The defined benefit section was closed to new members in 1998.

(b) Significant estimates

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

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

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the statement of financial position.

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

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

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

Amounts recognised in consolidated statement of financial position

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

24. Post-employment benefits (continued)

(b) Significant estimates (continued)

Amounts recognised in consolidated statement of profit or loss

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

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

	2016	2015
	$M	$M
Within the next 12 months	4.0	4.4
Between two and five years	11.1	12.4
Between five and 10 years	5.7	6.8
Beyond 10 years	1.9	2.5
Total expected payments	**22.7**	**26.1**

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

25. Related party disclosures

(a) Parent entities

The immediate parent entity is Viva Energy B.V. (incorporated in the Netherlands) and the ultimate parent entity and ultimate controlling party is Vitol Investment Partnership Limited (incorporated in Jersey).

(b) Transactions with key management personnel or entities related to them

Executive directors of controlled entities are entitled to receive discounts on their purchases of company products under the same conditions as are available to all other employees of the Group. The terms and conditions of the transactions with directors or their director related entities were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities or on an arm's length basis. Dealings between the Group and various related companies are identified in this note.

Some directors hold directorships within the Vitol group of companies and any transactions entered into by the company with the Vitol group of companies are in the ordinary course of business and are at arm's length.

25. Related party disclosures (continued)

(c) Transactions with other related parties

Entities in the Group engage in a variety of related party transactions which are conducted on a commercial basis. They supply products to related entities and overseas related corporations outside of the Group, and purchase crude and products from and pay service fees to overseas related corporations.

	Note	2016 $M	2015 $M
Related party transactions			
Purchases		6,811.0	8,475.1
Sales		958.3	1,034.4
Loan to associate		-	5.0
Interest income from associate		0.3	-
Sales of assets to Viva Energy REIT		2,104.8	-
Lease expense paid to associates	2	49.2	-
Dividends from associates		1.8	-
Return of capital		163.0	-
Receivables		62.2	35.2
Payables		713.4	737.6

(d) Key management personnel

Key management personnel compensation

	2016 $M	2015 $M
Total compensation paid to key management personnel	9.9	5.5

There are 17,805,115 options over unissued shares granted on 26 April 2016 to key management personnel. There are multiple classes of options with an average exercise price of US$1.76 per share, vesting between 1 January 2016 and 1 January 2021. No options have been exercised or forfeited during the period and no options were granted to directors or any of the five highest remunerated officers since the end of the financial year.

26. Events occurring after the reporting period

In December 2016, the Company signed an agreement with Shell to purchase its aviation business, Shell Aviation Australia Pty Ltd ('SAA') for a total transaction value of approximately USD 250 million. As at the date of authorisation of this Financial Report this position remains unchanged and the acquisition is expected to be settled during 2017 but after the date of this Financial Report.

On 6 January 2017, the Group declared and paid a dividend of $252.8m.

27. Auditor's remuneration

The auditor of the Company and the Group is PricewaterhouseCoopers Australia.

	2016 $	2015 $
Amounts received or due and receivable by PricewaterhouseCoopers Australia for:		
Audit or review of financial reports of the Group	640,000	573,960
Other services in relation to the Company and any other entity in the Group		
Other assurance services	94,300	90,000
Due diligence services and other services	549,054	443,000
Total	**1,283,354**	**1,106,960**

Directors' declaration

In the Directors' opinion:

(a) the financial statements and notes set out on pages 6 to 34 are in accordance with the Corporations Act 2001, including:

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

(ii) giving a true and fair view of the Group's financial position as at 31 December 2016 and of its performance for the year ended on that date, and

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

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in Note 23 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the Deed of Cross Guarantee described in Note 23.

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

H.M. Kho
Director
27 April 2017

Independent auditor's report

To the shareholders of Viva Energy Holding Pty Limited

Our opinion

In our opinion:

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

(a) giving a true and fair view of the Group's financial position as at 31 December 2016 and of its financial performance for the year then ended; and

(b) complying with Australian Accounting Standards - Reduced Disclosure Requirements and the *Corporations Regulations 2001*.

What we have audited

The financial report comprises:

- the consolidated statement of financial position as at 31 December 2016
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

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

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

Independence

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

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

Other information

The directors are responsible for the other information. The other information obtained at the date of this auditor's report comprises the Director's Report included in the annual report, but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

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

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

Responsibilities of the directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_files/ar3.pdf. This description forms part of our auditor's report

PricewaterhouseCoopers

Paul Bendall
Partner

Melbourne
27 April 2017