AMPOL

2020 Preliminary Final Report

Ampol Limited
(formerly Caltex Australia Limited)
ACN 004 201 307

Annual information given to the ASX under listing rule 4.3A

AMPOL LIMITED
LEVEL 24, 2 MARKET STREET SYDNEY
NSW 2000 AUSTRALIA

Authorised for release by: a sub-committee of the Board of Ampol Limited

Ampol Limited

ACN 004 201 307

Appendix 4E - Results for Announcement to the Market

Key Results (Millions of dollars)		2020	2019
Revenue from ordinary activities[(i)]	▼ 31%	**15,434**	22,352
(Loss)/profit from ordinary activities after tax/net (loss)/profit for the period attributable to members of the parent:			
Historical cost basis	▼ 227%	**(485)**	383
Replacement cost basis (excluding significant items after tax)[(iii)]	▼ 38%	**212**	344

Dividend	2020	2019
Dividends declared		
Interim dividend:	**25c**	32c
Amount per security (fully franked)[(iii)]		
Final dividend:	**23c**	51c
Amount per security (fully franked)[(iii)]		
Record date for determining entitlement to 2020 final dividend		8 March 2021
Payment date for the 2020 final dividend		1 April 2021

Comments update

- Group RCOP EBIT (excluding significant items) result of $401 million (2019: $607 million) impacted by economic weakness and significant disruptions to global hydrocarbon markets. Convenience Retail RCOP EBIT up 43% and Fuels and Infrastructure ex-Lytton RCOP EBIT down 21% to 31 December 2019.
- Group HCOP NPAT of $485 million loss impacted by $360 million inventory loss and $337 million loss for Significant Items loss.
- Continued disciplined execution of strategy despite disruptions during the period. Ampol executed the Convenience Retail property trust transaction in August, announced a $300 million Off-market Buy-back in November (completed in January 2021) and completed a $500 million subordinated notes (hybrid) issuance in December 2020.
- Net borrowings of $434 million at end of period, supported by operating cashflows and property trust transaction proceeds, partially offset by inventory loss relating to COVID impacts.

(i) Revenue from ordinary activities includes revenue and other income

(ii) 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.

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

(iv) Additional Appendix 4E disclosure requirements can be found in the Directors' Report and the 31 December 2020 Financial Report.

Ampol Limited

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Appendix 4E - Key Performance Indicators

	2020	2019
(Loss)/profit before interest and tax attributable to members of the parent ($m)		
Historical cost basis (including significant items)	**(622)**	640
Replacement cost basis (excluding significant items)(i)(ii)	**401**	607
(Loss)/profit after interest and tax ($m)		
Historical cost basis (including significant items)	**(485)**	383
Replacement cost basis (excluding significant items)	**212**	344
Inventory losses after tax ($m)	**(360)**	(14)
Significant items (loss)/gain after tax ($m)	**(337)**	53
Earnings per share (cents)		
Historical cost basis including significant items – Basic	**(194.2)**	151.3
Historical cost basis including significant items – Diluted	**(194.2)**	151.1
Replacement cost basis excluding significant items – Basic	**84.8**	135.9
Replacement cost basis excluding significant items – Diluted	**84.8**	135.7
Return on equity attributable to members of the parent entity after tax (%)		
Historical cost basis (including significant items)	**(16)**	12
Replacement cost basis (excluding significant items)	**7**	11
Net tangible asset backing per share ($)(iii)	**11.77**	10.73
Interest bearing liabilities ($m)		
Net borrowings (iv)	**434**	868
Lease liabilities	**914**	878
Interest bearing liabilities net of cash	**1,348**	1,746
Gearing (excluding leases) (%)(v)	**12**	21
Gearing (lease adjusted) (%)	**29**	35

(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 (2019: 250 million).

(iv) Net borrowings is a non-statutory measure calculated as total interest-bearing liabilities (excluding liabilities arising under AASB 16 Leases) less cash and cash equivalents.

(v) The Group’s gearing ratio is calculated as net borrowing/total capital. Total capital is calculated as equity as shown in the balance sheet plus net borrowings.

AMPOL

2020 Financial Report

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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 Ampol Australia Petroleum Pty Ltd (formerly Caltex Australia Petroleum Pty Ltd)**
- **Wholly owned entities and other entities that are not controlled by the Group**

Directors' Report

The Board

Introduction

Ampol Limited (formerly Caltex Australia Limited) presents the 2020 Directors' Report (including the Remuneration Report) and the 2020 Financial Report for Ampol Limited (Ampol) and its controlled entities (Ampol Group) for the year ended 31 December 2020. An Independent Audit Report from KPMG, as external auditor, is also provided.

Board of Directors

The Board of Ampol comprises Steven Gregg (Chairman), Matthew Halliday (Managing Director and CEO), Mark Chellew, Melinda Conrad, Michael Ihlein, Gary Smith, Barbara Ward AM and Penny Winn.

Bruce Morgan retired from the Ampol Board as an Independent Non-executive Director, effective 14 May 2020.

1 Steven Gregg

Chairman and Independent Non-executive Director
Date of appointment: 9 October 2015
Board Committees: Nomination Committee (Chairman)

Steven has over 30 years' experience in investment banking and management consulting in Europe and Australia. He brings to the Board extensive executive, corporate finance and strategic experience.

Steven is Chairman of Tabcorp Holdings Limited and a director of Challenger Limited and Challenger Life Company Limited, and William Inglis & Son Limited. He is also the Chairman of Unisson Disability Limited and a trustee of the Australian Museum. He has previously served as Chairman of Goodman Fielder Limited and Austock Group Limited.

Steven has extensive Australian and international experience, with ABN AMRO (as Senior Executive Vice President and Global Head of Investment Banking), Chase Manhattan, Lehman Brothers and AMP Morgan Grenfell. His most recent executive role was as a Partner at McKinsey & Company.

Steven holds a Bachelor of Commerce from the University of New South Wales.

2 Matthew Halliday

Managing Director and CEO
Date of appointment: 29 June 2020

Matthew Halliday was appointed Managing Director and Chief Executive Officer in June 2020. He joined Ampol in April 2019 as Chief Financial Officer.

Prior to joining Ampol, Matthew enjoyed a successful career with Rio Tinto spanning 20 years, where he held senior finance and commercial roles across several divisions and geographies.

Matthew is a Chartered Accountant and holds a Bachelor of Commerce from the University of Western Australia and an MBA from London Business School.

3 Mark Chellew

Independent Non-executive Director
Date of appointment: 2 April 2018
Board Committees:
Safety and Sustainability Committee, Human Resources Committee and Nomination Committee

Mark brings to the Board international expertise in industry, strategy, governance and large capital projects with a background in manufacturing, mining and process industries. He is currently Chairman of Cleanaway Waste Management Limited. Mark was formerly Chairman of the industry body Manufacturing Australia and a director of Virgin Australia Holdings Limited and Infigen Energy Limited.

Mark was the Chief Executive Officer and Managing Director of Adelaide Brighton and prior to that, held executive positions at Blue Circle Industries and CSR Limited.

Mark holds a Bachelor of Science (Ceramic Engineering) from the University of New South Wales, a Master of Engineering (Mechanical) from the University of Wollongong and a Graduate Diploma of Management from the University of New South Wales.

Directors' Report continued

The Board continued

4 Melinda Conrad

Independent Non-executive Director
Date of appointment: 1 March 2017
Board Committees:
Audit Committee, Human Resources Committee and Nomination Committee

Melinda brings to the Board over 25 years' experience in business strategy, marketing and technology led transformation, and brings skills and insights as an executive and director from a range of industries, including retail, financial services and healthcare.

Melinda is currently a director of ASX Limited, a director of Stockland Group and a director of the George Institute for Global Health and the Centre for Independent Studies. She is a member of the Australian Institute of Company Directors Corporate Governance Committee and an Advisory Board member of Five V Capital.

Melinda has previously served as a director of OFX Group Limited, The Reject Shop Limited, David Jones Limited, APN News & Media Limited, the Garvan Medical Research Institute Foundation and as a member of the ASIC Director Advisory Panel. Melinda held executive roles at Harvard Business School, Colgate-Palmolive, several retail businesses as founder and CEO, and in strategy and marketing advisory.

Melinda holds a BA (Hons) from Wellesley College in Boston, an MBA from Harvard Business School, and is a Fellow of the Australian Institute of Company Directors.

5 Michael Ihlein

Independent Non-executive Director
Date of appointment: 1 June 2020
Board Committees:
Audit Committee (Chairman), Safety and Sustainability Committee and Nomination Committee

Mike brings to the Board financial expertise and experience as an international executive from a range of industries, including previous roles as CEO and CFO of Brambles Limited and CFO of Coca-Cola Amatil Limited.

Mike is currently a director of Scentre Group, CSR Limited, Inghams Group Limited and the not-for-profit mentoring organisation Kilfinan Australia Ltd.

Mike holds a Bachelor of Business Studies (Accounting) from the University of Technology, Sydney. He is a fellow of the Australian Institute of Company Directors, CPA Australia and the Financial Services Institute of Australasia.

6 Gary Smith

Independent Non-executive Director
Date of appointment: 1 June 2020
Board Committees:
Human Resources Committee, Safety and Sustainability Committee and Nomination Committee

Gary brings to the Board substantial Australian and international oil industry experience with a career in oil and gas which spans 40 years, including 20 years with Shell and various executive roles within the industry, including General Manager Refining, Supply and Distribution of Ampol Limited (formerly Caltex Australia Limited). Gary is currently employed as a Senior Advisor with Poten & Partners, working with the LNG Commercial team

Gary holds a Bachelor of Engineering (Mechanical Engineering) and Master of Science (Chemical Engineering and Chemical Technology) from the University of New South Wales.

7 Barbara Ward AM

Independent Non-executive Director
Date of appointment: 1 April 2015
Board Committees:
Human Resources Committee (Chairman), Audit Committee and Nomination Committee

Barbara brings to the Board strategic and financial expertise in senior management roles. Barbara is a director of Qantas Airways Limited, a number of Brookfield Multiplex Group companies and Crestone Holdings Limited.

Barbara was formerly a director of the Commonwealth Bank of Australia, Lion Nathan Limited, Multiplex Limited, Data Advantage Limited, O'Connell Street Associates Pty Ltd, Allco Finance Group Limited, Rail Infrastructure Corporation, Delta Electricity, Ausgrid, Endeavour Energy and Essential Energy. She was also Chairman of Country Energy, NorthPower and HWW Limited, a Board member of Allens Arthur Robinson, The Sydney Opera House Trust and Sydney Children's Hospital Foundation and served on the Advisory Board of LEK Consulting.

Barbara was Chief Executive Officer of Ansett Worldwide Aviation Services from 1993 to 1998. Prior to that, she held various positions at TNT Limited, including General Manager Finance, and also served as a Senior Ministerial Advisor to The Hon PJ Keating.

Barbara holds a Bachelor of Economics and a Master of Political Economy from the University of Queensland and is a member of the Australian Institute of Company Directors.

8 Penny Winn

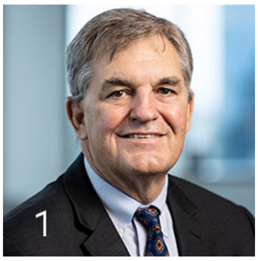
Independent Non-executive Director
Date of appointment: 1 November 2015
Board Committees:
Safety and Sustainability Committee (Chairman), Audit Committee and Nomination Committee

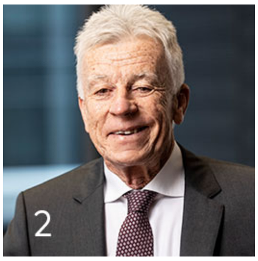
Penny brings to the Board Australian and international strategic, major transformation and business integration, technology and retail marketing experience. Penny is currently a director of CSR Limited, a director of Goodman Limited, Goodman Funds Management Limited and a director of Coca-Cola Amatil Limited. She has previously served as Chair and a director of Port Waratah Coal Services Limited, a director of a Woolworths business, Greengrocer.com, a Myer business, sass & bide, and Quantium Group.

Prior to her appointment to Ampol, Penny was Director Group Retail Services with Woolworths Limited. She has over 30 years of experience in retail with senior management roles in Australia and internationally.

Penny holds a Bachelor of Commerce from the Australian National University and a Master of Business Administration from the University of Technology, Sydney and is a graduate of the Australian Institute of Company Directors.

Leadership Team





1 Michael Abbott

Chief Governance and Risk Officer

Michael Abbott was appointed as Chief Governance and Risk Officer in January 2021. He is responsible for risk, audit, legal, secretariat, corporate affairs and sustainability.

Prior to joining Ampol, Michael spent 15 years at Woodside Energy, holding a variety of senior roles, including Senior Vice President, Corporate and Legal, where he was responsible for multiple corporate disciplines, including government affairs, emergency management, audit, governance, as well as business climate and economic outlook. Before Woodside, Michael spent 13 years working as a private practice lawyer in Australia and Hong Kong.

Michael holds a Bachelor of Law and Arts and a Master of Business Administration from the University of Western Australia.

2 Andrew Brewer

Executive General Manager, Infrastructure

Andrew Brewer was appointed Executive General Manager, Infrastructure in November 2020 and manages Ampol's Australian manufacturing and distribution assets as well as the Information Technology business.

He is an experienced senior executive in the energy and resources sector, having held leadership roles for large-scale facilities and integrated supply chains in the minerals processing, resources and energy industries across Australia, New Zealand and Canada. This includes former roles at Ampol, where he was General Manager of the Kurnell refinery, and later Executive General Manager of Supply Chain Operations and Executive General Manager Transformation. Andrew has returned to Ampol from Refining New Zealand where he held the position of Chief Operating Officer.

Andrew has a Bachelor of Engineering (Honours) and a Bachelor of Science from the University of Adelaide and a Diploma in Management from Deakin University.

3 Jeff Etherington

Interim Chief Financial Officer

Jeff Etherington was appointed Interim Chief Financial Officer in March 2020. He is responsible for finance, accounting, treasury, taxation and procurement. Jeff joined Ampol in November 2014 as Group Treasurer, before being appointed Deputy Chief Financial Officer and Group Treasurer in March 2019.

Prior to joining Ampol, Jeff spent over 15 years at Qantas Airways Limited, holding various senior roles including Group Treasurer and Head of Investor Relations. Before Qantas, Jeff spent four years working in treasury at Southcorp Limited, and six years in foreign exchange and trade finance at National Australia Bank Limited. Jeff was a Non-executive Director of Qantas Credit Union (now Qudos Bank) from 2008 to 2015.

Jeff is a CPA and holds a Bachelor of Business Studies and a Master of Applied Finance from Monash University. Jeff is also a member of the Australian Institute of Company Directors.

Directors’ Report continued

Leadership Team continued

4 Brent Merrick

Executive General Manager, Commercial

Brent Merrick was appointed Executive General Manager, Commercial in September 2020. Brent is responsible for the commercial functions of the Fuels and Infrastructure business, including trading and shipping, B2B sales, supply and commercial optimisation across the value chain, as well as building future energy solutions for our customers.

Brent joined Ampol in 2000, with his career at the company spanning a range of roles, including his first job as a Process Engineer at the Lytton refinery in Queensland. Brent gained commercial and trading experience through roles in the Australian supply and trading teams, before being seconded to Chevron Singapore. Brent held the roles of National Sales Manager and Transformation Officer in the marketing business before returning to Singapore as a trader. More recently, he was responsible for expanding Ampol’s international operations by establishing offices in Singapore and the United States, which drive the company’s global trading and shipping business.

Brent holds a Bachelor of Engineering (Chemical) from the University of Queensland.

5 Alan Stuart-Grant

Executive General Manager, Strategy and Corporate Development

Alan Stuart-Grant was appointed as Executive General Manager, Strategy and Corporate Development in November 2017 and manages Ampol’s strategy, corporate development, mergers and acquisitions and transformation activities.

Prior to joining Ampol, Alan held a senior position in the Oil and Gas department of Glencore plc, and prior to that spent more than a decade in private equity and investment banking, working in Sydney, London and Singapore.

Alan holds a Bachelor of Science (Business Administration) degree from the University of Bath and is also a member of the Australian Institute of Company Directors.

6 Joanne Taylor

Executive General Manager, Retail, Brand and Culture

Joanne Taylor was appointed Executive General Manager of Retail, Brand and Culture in August 2020. She is responsible for Ampol’s retail business, human resources, brand and marketing, and internal communications.

Joanne, who joined Ampol in 2016, has over 20 years’ experience in the retail, QSR, hospitality and manufacturing sectors, and brings significant experience in operations, supply chain, communications and human resources to Ampol.

In her role she is focused on transforming Ampol’s national network of stores with the revitalisation of the Ampol brand and evolving its retail offer to make life easier every day for millions of Australian consumers and business customers.

Prior to joining Ampol, Joanne spent 11 years at McDonald's Australia in operations, franchise, people and supply chain roles.

Joanne holds a Bachelor of Commerce from the University of New South Wales.

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 58 to 111.

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 is an independent Australian company and the nation's leader in transport fuels.

We supply the country's largest branded petrol and convenience network as well as refining, importing and marketing fuels and lubricants. We have a deep history spanning over 120 years, having grown to become the largest transport fuels company listed on the Australian Securities Exchange (ASX).

Ampol supplies fuel to around 80,000 customers in diverse markets across the Australian economy, including defence, mining, transport, marine, agriculture, aviation and other commercial sectors. Across our retail network, we serve more than three million customers every week with fuel and convenience products.

Our ability to service our broad customer base is supported by our robust supply chain and strategic infrastructure positions across the country, which includes 17 terminals, five major pipelines, 57 depots, 1,926 branded sites (including approximately 708 company-controlled retail sites) and one refinery located in Lytton, Queensland. This network is supported by over 8,200 people across Australia and overseas.

In recent years, we have leveraged our Australian business to extend our supply chain and operations into international markets. This includes our Trading and Shipping business that operates out of Singapore and Houston in the USA, and our international storage positions across the Asia Pacific region. We also have a growing presence in New Zealand as owner of Gull New Zealand, which operates the largest independent import terminal in the country and a retail network. Ampol also owns a 20% equity interest in Seaoil, a leading independent fuel company in the Philippines.

Ampol Limited returned to its iconic Australian name following shareholder approval on 14 May 2020. The national roll-out of the Ampol brand across our retail network has begun and will be completed by the end of 2022.

Directors' Report continued

Operating and financial review continued

Group strategy

Ampol's strategy is focused around three elements underpinned by our market-leading position in transport fuels, strategic assets, customer positions and supply chain expertise.

Our strategy builds on our strengths in fuels

Our strategy focuses on our core business, and establishes a platform to grow and ultimately evolve as energy markets transition

Purpose

Powering better journeys, today and tomorrow

Strategy		
Enhance the core business	Bring back Ampol	Bring back an iconic Australian brand and reinvigorate our people and customer connection
	Further cost savings	Take further action on costs to mitigate demand impacts and reinforce competitive position
	Maximise Lytton value	Review to determine how to maximise value from a highly strategic and well-located asset
	Improve retail network	We have released significant capital, with further potential to improve returns
	Restore F&I Australia ROCE	Our market leading position provides resilience, but we will take action to further strengthen our infrastructure and focus on capital effectiveness and cost efficiency
Expand from rejuvenated fuels platform	International earnings growth	Leverage our scale and capabilities to accelerate our growth in regional markets
	Shop earnings growth	Leverage our strength in retail fuel to capture opportunities from the evolving behaviours and expectations of our customers
Evolve energy offer for our customers	Build foundations for energy transition	Transition with our customers, focusing on a targeted set of energy and decarbonisation themes with clear linkages to our capabilities and assets

Strengths

Strategic assets	Deep customer base	Supply chain expertise

Directors' Report continued

Operating and financial review continued

We are delivering on our promises

Despite the many challenges and disruptions faced in 2020, Ampol made significant progress over the last 12 months delivering on our strategic commitments to shareholders.

Completion of the sale of 49% interest in 203 core freehold sites to Charter Hall and GIC consortium has demonstrated the value of our high-quality freehold sites and released significant capital. We have also delivered performance improvements in a significant number of our non-core retail sites and divested 25 higher and better use sites for $136 million in 2019.

Good progress has been made on our targeted $195 million earnings before interest and tax (EBIT) uplift by 2024, with the completion of our $40 million cost out program, the strong performance in our Fuels and Infrastructure International business and positive momentum in retail shop performance.

We also delivered on our promise to return capital to shareholders with the announcement of a $300 million Off-market Buy-back which completed in early 2021 and released franking credits to Australian investors and is expected to deliver earnings per share accretion. Late in 2020 we also successfully completed a $500 million subordinated notes issuance to wholesale investors in the domestic fixed income market. These subordinated notes are an effective long-term source of capital and proceeds of the issue will be used for general corporate purposes.

Improving our network

Charter Hall and GIC consortium acquired a 49% interest in 203 core freehold sites for

$682m

25 higher and better use retail sites sold for

$136m

Progressing our $195 million earnings growth target

$40m

cost-out program delivered

Strong performance in F&I International

Positive momentum in Convenience Retail non-fuel

Capital management

$300m

Off-market Buy-back announced

A$500 million subordinated notes issuance

Directors' Report continued

Operating and financial review continued

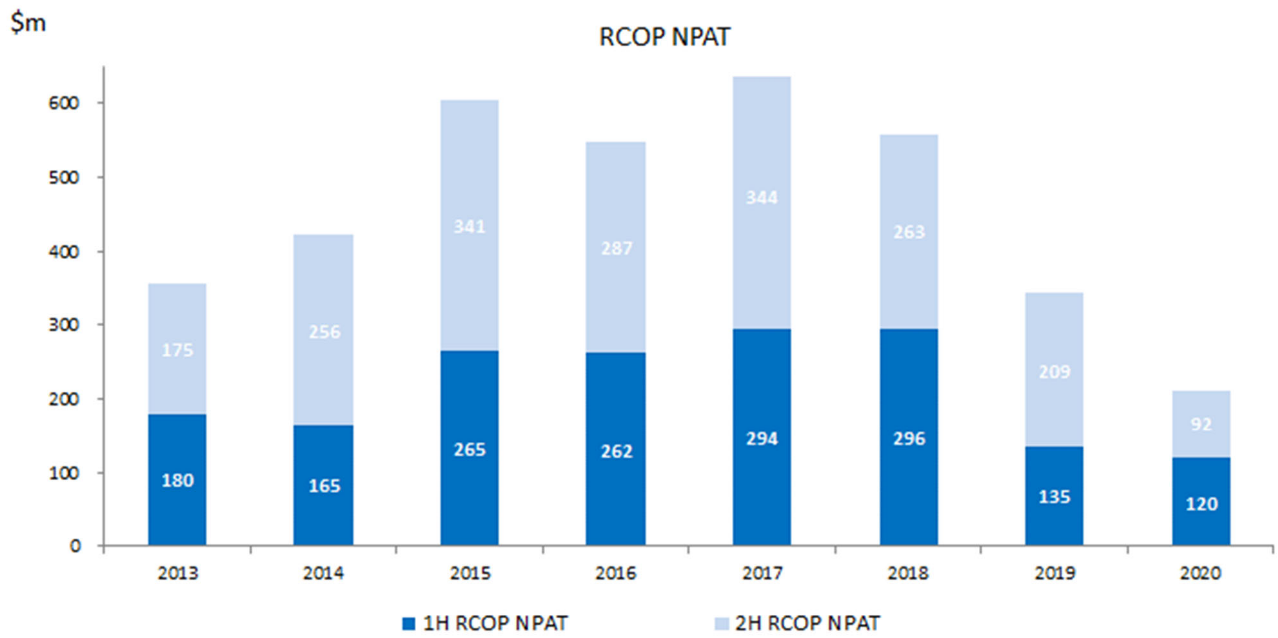
Ampol Group results 31 December 2020

On an historical cost profit basis, Ampol recorded an after-tax loss of $485 million for the 2020 full year, including significant items of $337 million loss. This compares with the 2019 full year profit of $383 million, which included significant items of $53 million gain. The 2020 result includes a product and crude oil inventory loss of $360 million after tax, which compares with an inventory loss of $14 million after tax in 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	2020 $m (after tax)	2019 $m (after tax)
Net (loss)/profit attributable to equity holders of the parent entity	(485)	383
Deduct/add: Significant items loss/(gain)	337	(53)
Deduct/add: Inventory loss	360	14
RCOP(i) NPAT (excluding significant items)	**212**	344

On an RCOP basis, Ampol recorded an after-tax profit for the 2020 full year of $212 million, excluding significant items. This compares with an RCOP after-tax profit of $344 million for the 2019 full year, excluding significant items.



Dividend

The Board has declared a final fully franked dividend of 23 cents per share for the second half of 2020, in line with the Dividend Policy pay-out ratio of 50% to 70% of RCOP NPAT excluding Significant Items. Combined with the interim dividend of 25 cents per share for the first half, this equates to a total dividend of 48 cents per share for 2020 (fully franked). This compares with a total dividend payout of 83 cents per share for 2019 (fully franked). The record and payment dates for the final dividend are referenced on page 73.

(i) Replacement cost of sales operating profit (RCOP) excluding significant items (on a pre- 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.

Operating and financial review continued

COVID-19

The full year ending 31 December 2020 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: (i) bringing forward and extending the Lytton refinery Turnaround and Inspection (T&I) in order to execute it safely; (ii) optimising retail and aviation fuel cost base; (iii) reducing corporate overheads; and (iv) deferring non-critical capital spend.

These steps have enabled Ampol 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 year ending 31 December 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 13.6 BL in 2020, 17% lower than the 16.3 BL in 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 $360 million after tax which contributed materially to the Historic Cost Operating Profit (HCOP) loss of $485 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 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 as at 30 June 2020 was $80 million in excess of its recoverable amount. This was reassessed at 31 December 2020 with no further impairment.
- 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 were determined to be in excess of their recoverable amount as at 30 June 2020 by $233 million and a further $59 million at 31 December 2020.
- Other significant items caused by COVID-19 include:
  - (i) The divestment of marginal depots and 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;
  - (iii) Increase in provision for doubtful debts as a result of the expected impact on Ampol customers from COVID-19 of $3.7 million;
  - (iv) The above expenses have been partially offset by other revenue received from government assistance for wage support of $6.8 million.

Whilst COVID-19 has adversely impacted 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 3.6 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.

On 20 November 2020, Ampol completed an agreement with a Charter Hall and GIC consortium that acquired a 49% interest in 203 freehold convenience retail sites, which delivered net proceeds of $655 million.

On 9 December 2020, Ampol successfully issued $500 million of subordinated notes (or hybrid). These notes will diversify Ampol's funding sources and support its credit profile in line with its Capital Allocation Framework.

The total available funds at 31 December 2020 was $2,940 million (31 December 2019: $2,649 million), with $2,140 million in undrawn committed bank debt facilities.

Directors' Report continued

Operating and financial review continued

Income statement

For the year ended 31 December	2020 $m	2019 $m
1. Total revenue(i)	**15,434**	22,352
Share of net profit of entities accounted for using the equity method	**11**	4
2. Total expenses(ii)	**(15,044)**	(21,749)
Replacement cost earnings before interest and tax	**401**	607
Finance income	**1**	1
Finance expenses	**(110)**	(121)
3. **Net finance costs**	**(109)**	(120)
Income tax expense(iii)	**(75)**	(142)
Non-controlling interest	**(5)**	(1)
Replacement cost of sales operating profit (RCOP)	**212**	344
4. Significant items gain/(loss) after tax	**(337)**	53
5. Inventory loss after tax	**(360)**	(14)
Historical cost net (loss)/profit after tax	**(485)**	383
Interim dividend per share	**25c**	32c
Final dividend per share	**23c**	51c
Earnings per share (cents)		
Historical cost basis including significant items – Basic	**(194.2)**	151.3
Historical cost basis including significant items – Diluted	**(194.2)**	151.1
Replacement cost basis excluding significant items – Basic	**84.8**	135.9

Discussion and analysis – Income statement

1.	**Total revenue** ▼ **31%**	Total revenue decreased due to a 17% 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 34% lower than 2019. Lower product prices in 2020 were driven by lower weighted average Dated Brent crude oil price (2020: US\$42/bbl vs 2019: US\$64/bbl). Revenue includes assistance from governments for wage support of \$6.8 million received from Australia, New Zealand and Singapore government programs.
2.	**Total expenses – replacement cost basis** ▼ **31%**	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.

(i) Includes other income of $28 million (2019: $45 million).
(ii) Excludes significant item loss of $337 million (2019: $53 million gain).
(iii) Excludes tax receivable/benefit on inventory loss of $154 million and tax receivable/benefit on significant items of $167 million. (2019: tax receivable/benefit on inventory loss of $6 million).

Operating and financial review continued

Income statement continued

Discussion and analysis – Income statement	RCOP EBIT breakdown[i]
Fuels and Infrastructure EBIT 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 $154 million in 2020, which was below the $450 million EBIT in 2019, largely due to lower earnings from Lytton and loss of scale in F&I Australia from COVID-19 related demand destruction. F&I EBIT (excluding Lytton) was $299 million, which is a decrease of $81 million compared to 2019. The result was impacted by the significant decline in Australian fuel volumes and associated efficiencies, and effects from managing rapidly changing supply chains. Earnings in the period were supported by increased imports during the extended Lytton Turnaround & Inspection (T&I), continued growth in International RCOP EBIT, strong cost discipline and $30 million of foreign exchange gains. Lytton delivered an EBIT loss of $145 million, which was down $215 million compared to 2019. The reduction in Lytton EBIT was reflective of the extremely weak external refiner margin environment, impacted by sustained weakness in global hydrocarbon demand from COVID-19. Action was taken to mitigate impacts by bringing forward and extending the refinery T&I, and a renewed focus on costs and efficiency.	**$154m**
Convenience Retail EBIT Convenience Retail EBIT consists of earnings on fuel products and shop products at Ampol convenience stores. Convenience Retail delivered an EBIT result of $287 million, which is up 43% compared to 2019. Retail fuel earnings were supported by margin benefits from oil price timing lags and rational industry behaviour, offsetting volume weakness. The result also reflects continued improvement in shop performance.	**$287m**
Corporate EBIT Corporate operating expenses decreased by $3 million compared to 2019.	**($41m)**
RCOP EBIT excluding significant items	**$401m**

(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** ▼ 9%	Net finance costs decreased by $11 million compared with 2019. The decreased interest cost is due to lower average daily borrowings combined with lower interest rates in 2020.
4.	**Significant items after tax $337m**	The significant item loss of $337 million after tax or $504 million before tax relates to: **Impairment of Non-Current Assets** The Group has recognised a total impairment loss of $413 million on non-current assets. These impairments relate to Lytton Refinery cash-generating unit of $80 million at 30 June 2020, Convenience Retail site cash-generating units of $233 million at 30 June 2020 and $59 million at 31 December 2020 and other specific assets of $42 million. **Ampol Rebranding Expense** Ampol has recognised an expense of $66 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 ($11 million) and other operating expenses ($9 million). **Higher Better Use Sites** In 2019, the Group recognised a net gain of $53 million on sale from the divestment of the 25 Higher and Better Use (HBU) sites after environmental remediation. The environmental remediation activity commenced in 2020 and a reassessment of the remediation provision was undertaken as at 31 December 2020. This resulted in recognition of an additional provision of $17 million. **Gain on sale of investment in joint operation** On 1 October 2020, the Group sold its investment in the Sydney Joint User Hydrant Installations (JUHI) of a gain on sale of $21 million. **Other Expenses** **Site Remediation Provisions** The divestment of 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 income** Other income includes assistance from governments for wage support of $6.8 million received from Australia, New Zealand and Singapore government programs. **Significant items tax benefit** Significant items tax benefit of $151 million represents tax at the Australian corporate tax rate of 30% on Significant items before tax and utilisation of previously unrecognised capital losses (tax benefit of $16 million) which has been applied to a capital gain on the sale of the 49% interest in 203 freehold convenience retail sites with Charter Hall and GIC consortium.
5.	**Inventory loss after tax $360m**	There was an inventory loss of $360 million after tax or $514 million before tax in 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 resulted in the loss.

Operating and financial review continued

Income statement continued

Business unit performance - Fuels and Infrastructure

Fuels and Infrastructure delivered an EBIT result of $154 million, including $299 million from F&I excluding Lytton and $145 million loss from Lytton.

Total Australian fuels sales volumes were 13.6 BL in 2020, 17% lower than the 16.3 BL in 2019, reflecting adverse weather impacts at the start of the year and demand destruction, including the significant impact of government restrictions implemented in response to the COVID-19 pandemic. International volumes of 6.5 BL in 2020, were 36% higher than 4.8 BL in 2019, underpinned by continued growth of international businesses.

Business unit performance - Convenience Retail

Convenience Retail delivered RCOP EBIT of $287 million in 2020, compared to $201 million RCOP EBIT in 2019.

Total Convenience Retail fuels sales volumes were 4.1 BL in 2020, 14% lower than the 4.8 BL fuels sales volumes in 2019, due to the impacts on industry demand from bushfires and floods in 1Q 2020, followed by COVID-19 restrictions since late March 2020.

Balance sheet

As at 31 December	2020 $m	2019 $m	Change $m
1. Working capital	**421**	632	▼211
2. Property, plant and equipment	**3,468**	3,702	▼234
3. Intangibles	**558**	579	▼21
4. Interest-bearing liabilities net of cash	**(1,348)**	(1,746)	▼398
5. Other non-current assets and liabilities	**127**	110	▲17
Total equity	**3,225**	3,271	▼46

Discussion and analysis – Balance sheet	
1. Working capital ▼ **$211m**	The decrease in working capital was primarily driven by lower product and crude price impacting receivables, inventory and payables.
2. Property, plant and equipment ▼ **$234m**	The decrease in property, plant and equipment (PP&E) is driven by Convenience Retail ($292 million), Lytton ($80 million) and other asset impairments ($42 million) and depreciation of $394 million. This is partially offset by 2020 capital expenditure and accruals (including major cyclical maintenance) of $205 million, site dismantling and remediation asset of $241 million and additions of lease right of use assets of $147 million.
3. Intangibles ▼ **$21m**	Intangibles decreased primarily due to amortisation of $28 million and software impairment loss of $20 million. This is partially offset by additions of $39 million.
4. Interest-bearing liabilities ▼ **$398m**	Interest-bearing liabilities relates to net borrowings of $434 million and lease liabilities $914 million as at 31 December 2020. The decrease in interest-bearing liabilities was primarily due to the completion of the core freehold retail property transaction with net proceeds of $655m. Ampol's gearing at 31 December 2020 was 12%, decreasing from 21% at 31 December 2019. On a lease-adjusted basis, gearing at 31 December 2020 was 29%, compared with 35% at 31 December 2019.
5. Other non-current assets and liabilities ▲ **$17m**	Other non-current assets and liabilities increased primarily due to the increase in deferred tax assets offset by the increase in non-current site remediation and dismantling provision.

Directors' Report continued

Operating and financial review continued

Cash flows

For year ended 31 December	2020 $m	2019 $m	Change $m
1. Net operating cash inflow	**268**	844	▼576
2. Net investing cash inflows/(outflows)	**463**	(139)	▲602
3. Net financing cash outflows	**(392)**	(679)	▲287
Net increase/(decrease) in cash held(i)	**333**	(29)	▲362

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

Discussion and analysis – Cash flows	
1. Net operating cash inflows ▼ $576m	Net operating cash inflows were lower in 2020 driven by COVID-19 induced hydrocarbon demand impacts, as well as the cash component of inventory loss resulting from a decline in crude and product prices coinciding with a decline in customer demand.
2. Net investing cash inflows ▲ $602m	Investing cash flows represent the cash components (i.e. excluding any accruals) for capex, Lytton T&I, and purchases of intangibles. 2020 includes the once-off benefit from the net proceeds from the sale of 49% interest in 203 freehold convenience retail sites and the gain on sale of the investment in joint operations. 2019 includes the once-off benefit from the gain on sale for HBU Tranche 1 sites.
3. Net financing cash outflows ▲ $287m	Financing cashflows in 2020 include repayment from borrowing of $93m, the Dividend payment of $190m and repayment of lease principal $108m. The 2019 result included impact of the $260m share buy-back.

Capital Expenditure

Capital expenditure totalled $227 million including major T&I spending at Lytton refinery of $64 million and $22 million in intangible software.

Business outlook and prospects for future financial years

This section includes information on Ampol's future financial prospects. Given the significant influence of external factors – such as market competitiveness, economic conditions, including ongoing impacts from COVID-19, exchange rates and regional refiner margins – the discussion of our financial prospects is general in nature.

To the extent that there are statements which contain forward-looking elements, they are based on Ampol's current expectations, estimates and projections. Such statements are not statements of fact, and there can be no certainty about outcomes in the areas that these statements relate to. Ampol does not make any representation, assurance or guarantee as to the accuracy or likelihood of fulfilment of any forward-looking statements.

Overview

We will continue to execute our business strategy in 2021 with a core focus on creating value for shareholders. We have a clear list of priorities which focus on delivering improved returns across the integrated business, with a focus on improved cost and capital efficiency.

With the completion of our original $100 million cost out program, in 2021 we will begin work on a further $40 million of structural savings to be delivered by 2022. We will also continue to focus on delivering our targeted $195 million EBIT uplift by 2024, progressing key initiatives in our Fuels and Infrastructure International strategy and in Convenience Retail.

Our rebrand to Ampol will be a key focus, with our national rollout to reach scale by the end of the year. Investment in our iconic Australian brand will allow us to enhance our market-leading position in retail fuel and provides a strong platform to execute on the attractive and growing convenience market opportunity.

Ampol also remains committed to releasing our substantial franking credit balance to shareholders, in accordance with our capital allocation framework and subject to business performance. Our announced $300 million Off-market Buy-back has been completed in January 2021 which derived a $119 million release of franking credits.

Operating and financial review continued

Business outlook and prospects for future financial years continued

Fuels and Infrastructure

In 2021, we will protect returns in Fuels and Infrastructure Australia by completing the review of our Lytton refinery in the first half of the year, to determine the best path forward to maximise value for shareholders. More broadly across the non-refining Australian business, we will take a disciplined approach to capital effectiveness and cost efficiency, while also selectively pursuing investments that can deliver strong returns.

Influencing our performance in 2021 will be global economic conditions, including recovery in demand for hydrocarbons in the markets in which we operate following the social and economic impacts of COVID-19.

The performance of our Lytton refining business will continue to be influenced by external factors, including foreign exchange rates and regional refiner margins, along with domestic market conditions such as demand for Ampol refined products and input costs.

Earnings growth in Fuels and Infrastructure will be targeted through the continued delivery of our International strategy, with our plan to deliver $70 million EBIT growth in this part of our business by 2024. In 2021, we will focus on executing the organic growth initiatives that underpin this target, leveraging the scale and capabilities we possess across the broader business and the strong progress we have made over the last few years. Our ambitions in our International business are built off our key strengths of strategic assets, supply chain expertise and deep customer relationships.

Finally, in 2021 we will also continue to build foundations for energy transition by working with our customers, focusing on a targeted set of energy and decarbonisation themes, each of which has clear linkages to our capabilities and assets. As part of this work we will announce our decarbonisation strategy along with our TCFD report during the first half of 2021.

Convenience Retail

Ampol’s company-operated retail network provides an important foundation to deliver value to shareholders through extracting share from both the $31 billion retail fuel market and the growing $8.8 billion convenience market in Australia.

In 2021, as we transition to Ampol, we are confident our fuels position will be strengthened by the network refurbishment and the introduction of our Amplify premium fuels, which are formulated leveraging our strong premium fuels pedigree. Amplify premium fuels are specifically designed for Australian driving conditions and engineered to clean and protect engines.

Our retail fuel strategy will focus on leveraging our high-quality network, premium fuels and leading card offer, to continue to generate strong earnings, through the targeted combination of value and volume.

Our strong earnings base from retail fuel provides the platform to generate further earnings growth through our retail shop offer. We remain well positioned to deliver on our potential $85 million non-fuel EBIT uplift in Convenience Retail by 2024. COVID-19 has driven changes in customer behaviour with people spending more time in their local community, preferencing smaller format stores like ours and taking advantage of the convenience that our well-located network of stores offer.

This experience has served to strengthen our conviction in our strategy. In 2021, we will further build on the strategy in place by enhancing our merchandise offer and increasing the efficiency of store operations, while continuing to execute our network rebrand. We will also continue to focus on deploying the right formats in the right location to meet customer needs and generate strong returns.

Directors' Report continued

Risk management

There are a number of material risks that have the potential to impact on Ampol achieving its financial goals and business strategy.

The Ampol Risk Management Framework (ARMF) has been developed to proactively and systematically identify, assess and address events that could impact business objectives. The ARMF integrates the consideration of risk into the Company's activities so that:

- risks in relation to the effective delivery of the Company's business strategy are identified;
- control measures are evaluated; and
- where potential improvements in controls are identified, improvement plans are scheduled and implemented.

The Board reviews the ARMF with management on an annual basis to ensure that it remains sound.

Risks identified through the ARMF are also assessed on a regular basis by management, and material risks are regularly reported to the Board and its committees. These reports include performance against the Board-approved risk appetite and the status and effectiveness of control measures for each material risk. The Board, the Audit Committee, the Safety and Sustainability Committee and the Human Resources Committee each receive reports on material risks relevant to their responsibilities.

Following is a table outlining our material risks, along with a description of each risk and an outline of the mitigation strategies that are in place. In this table, we have not included information that could result in unreasonable prejudice to Ampol, including information that is confidential, commercially sensitive or that could give a third party a commercial advantage.

Ampol's approach to risk management is also outlined in our Corporate Governance Statement, which is available on our website.

Material risk	Description	Monitor and manage
Strategic and commercial risks		
1. Customer and competitors **2. Business transformation**	The transport fuels and Convenience Retail landscapes are continually evolving. Ampol needs to be able to transform along with this landscape to seize opportunities and ensure the ongoing viability and success of the business. Changes in customer demand, technology and products have the potential to materially impact Ampol's earnings. Ampol must respond and adapt to these changes by optimising current earnings streams and creating new earnings streams in both domestic and international markets in order to support the growth of Ampol and deliver value to customers, the community and shareholders.	Ampol's strategic decision-making framework ensures that strategies are in place to manage competitive risks that sustain and improve value accretion. These strategies include: • enhancing the core business through relentless focus on cost efficiency, capital effectiveness and customer delivery; • delivering earnings growth in International and Convenience Retail; and • building foundations for the energy transition, leveraging the strength of our assets, customer positions and capabilities.
3. Climate change	Risks associated with the transition to a low carbon economy have the potential to impact Ampol's socio-political and regulatory environment, earnings and growth opportunities, and brand and reputation. Ampol must balance the needs of the current economy, our customers and shareholders, while demonstrating active integration of climate associated risk into strategic and financial planning processes to inform its investment decisions. In parallel, Ampol actively assesses and models the physical impact of climate change on the business and manages the energy intensity of our operations to limit carbon emissions. For Ampol's TCFD disclosures, please refer to Ampol's 2020 Sustainability Report.	The Board oversees Ampol's sustainability approach, with the Board's Safety and Sustainability Committee assisting with governance and monitoring as reflected in the Committee's Charter. Ampol focuses on building resilience to the transitional and physical risks posed by climate change, including undertaking scenario analysis, helping our customers respond to climate change, reducing the carbon intensity of our operations, undertaking external engagement and advocacy, and improving transparency and reporting. Ampol supports the recommendations of the Task Force on Climate-related Financial Disclosures and has developed an implementation plan to ensure full alignment by 2021.

Directors' Report continued

Risk management continued

4. Cyber and information security	As a leading transport fuels provider and convenience retailer, Ampol faces an ever-evolving cyber security threat. Ampol must be able to detect, prevent and respond to these threats by maintaining a high standard of information and cyber security controls.	Ampol's information technology (IT) and systems are subject to regular review and maintenance, and business continuity plans are in place. Ampol actively monitors and responds to potential local and global IT security threats.
5. Organisational capability	Successful execution of Ampol's strategy and business objectives is driven by the capability and talent of our people. A lack of organisational capability can negatively impact Ampol's ability to maximise returns.	Ampol aims to be an employer of choice. It has in place and actively manages retention and attraction of critical capabilities, its employee agreements, and it monitors employee engagement and the external labour markets.

Operational risks

6. Process safety **7. Personal safety, health and wellbeing** **8. Environmental**	The manufacturing and transportation of transport fuels and the operation of Ampol's retail network gives rise to an inherent risk to the health and safety of our employees, contractors, the public and the environment in which we operate. Ampol invests the necessary capital and resources to reduce these risks so far as is reasonably practicable.	To manage these risks, Ampol has in place: • an integrated management system for managing safety, health and environment; and • a comprehensive risk management framework which actively manages and mitigates these risks from the corporate level through to the local site operating level and involves active engagement from senior management. Ampol also mitigates certain major risk exposures through its comprehensive corporate insurance program, which provides cover for damage to facilities and associated business interruption as well as product liability.
9. Product quality – fuels and lubricants **10. Product quality – food**	An inability to produce and supply high quality, fit for purpose fuel and lubricant products that meet our customers' needs, conform to specifications and satisfy our contractual and regulatory requirements, has the potential to put our customers at risk. In turn, this may damage Ampol's brand, reputation and impact earnings. Similarly, in the convenience retail environment, Ampol aims to produce and supply quality, fit for purpose food products that meet customer needs, conform to specifications, and satisfy our contractual and regulatory requirements.	Ampol has designed and implemented robust quality control measures throughout the supply chain to ensure both fuel and food products are safe and to protect our brand and reputation. A governance structure is in place to monitor and report on the status of these risks and the effectiveness of their control measures to the Board's Safety and Sustainability Committee.
11. Business interruption	Business interruption may arise from several circumstances, including: • operational difficulties throughout the supply chain, such as extended industrial disputes or manufacturing interruptions; • loss of externally-supplied utilities; • pandemics; • security breaches affecting operational systems; and • natural disasters, such as bushfires and floods. Any of these events could result in a significant interruption to operations leading to commercial loss.	Almost all operational risks are potential sources of business interruption. Ampol manages these risks through the framework and governance structures described in this report, including those focused on security and resilience. It also mitigates certain major risk exposures through its comprehensive corporate insurance program, which provides cover for damage to facilities and associated business interruption as well as product liability.

Directors' Report continued

Risk management continued

Financial risks

12. Capital management and allocation	An inability to successfully manage and allocate capital erodes Ampol's profitability, cash flows, growth aspirations, investor confidence, licence to operate and relationships with key stakeholders.	Ampol governs capital allocation in accordance with a well-defined capital allocation framework that is underpinned by operational and capital efficiency and ensures a strong return on capital employed (ROCE) across all parts of the portfolio. An Investment Committee supports this framework, which is comprises senior leaders with the necessary governance and processes to successfully prioritise and execute its capital investments and manage capital allocation.
13. Liquidity	Inadequate access to liquidity may limit Ampol's ability to raise funds to meet the forecast requirements of the business, for planned expenditure or to seize emerging opportunities. A weak balance sheet also limits Ampol's ability to withstand material levels of liquidity-related stress from other material risk events and/or a major economic downturn.	Ampol seeks to prudently manage liquidity risk by maintaining a capital structure that is consistent with its capital allocation framework, supports its activities and centrally monitors cash flow forecasts, including the degree of access to debt and equity markets. A key element of its funding strategy is the use of committed undrawn debt facilities, with an extended facility maturity profile.
14. Financial markets	Commodity prices, refiner margin (RM) and other associated markets driven by supply and demand for Ampol's products may vary outside of expectations from time to time. Foreign exchange rate variations can offset or exacerbate this risk.	Ampol balances its exposure to financial market risk in accordance with the Board approved Group Treasury Policy. The policy sets a range of quantitative and volumetric limits to reduce the inherent risk to levels within the desired risk appetite threshold. Ampol regularly monitors financial market exposures and reports this as part of its updates to senior management and the Board.

Compliance and conduct risks

15. Regulatory and compliance **16. Fraud or ethical misconduct**	Ampol is exposed to a wide range of economic and regulatory environments since its operations are located across several jurisdictions. Ampol's brand, reputation and licence to operate can be negatively impacted through actual or perceived breaches of law, and/or behaviours and actions that are inconsistent with the Company's values or breach its Code of Conduct.	Ampol applies strict operating standards, policies, procedures and training to ensure that it remains in compliance with its various permits, licences, approvals and authorities. In addition, Ampol proactively manages regulatory risks through a combination of vigilance regarding current regulations, contact with relevant bodies/ agencies and working in partnership with various stakeholders to reduce the likelihood of significant incidents that could impact Ampol and/ or the communities in which it operates. Ampol engages with regulatory bodies and industry associations to keep abreast of changes to laws. It has a stakeholder engagement plan that is actively managed to mitigate the impact of major policy changes.

Directors' Report continued

Events subsequent to the end of the year

On 22 January 2021 the Group completed an off market buy back of 11,404,848 shares at a price of $26.34 per share which included a capital component of $2.01 per share. The total amount of the buy back was $300.4 million and the impact of this transaction on the issued share capital of the Company was to reduce it by $22.9 million with the remainder from retained earnings. The number of issued shares post the buy back is 238.3 million.

On 22 February 2021, the Directors declared a fully franked final dividend of 23 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.

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 31 December 2020.

Environmental regulations

Ampol is committed to complying with the relevant laws, regulations and standards of the jurisdictions in which we operate, as well as to minimising the impact of our operations on the environment. The Board's Safety and Sustainability Committee addresses the appropriateness of Ampol's OHS and environmental practices to manage material health, safety and environmental risks, so that these risks are managed in the best interest of Ampol and its stakeholders.

Ampol sets key performance indicators to measure environmental, health and safety performance and drive improvements against targets. In addition to review by the Board, progress against these performance measures is monitored regularly by the Managing Director and CEO and executive general managers.

Risks are examined and communicated through the Ampol Risk Management Framework, which includes environmental risks. Under the framework, risks and controls are assessed and improvements are identified, with regular reports being made to management and the Board.

The Ampol Operational Excellence Management System is designed to ensure as reasonably practicable that operations are carried out in an environmentally sound, safe, secure, reliable and efficient manner. Its operating standards and procedures support the Ampol Environment Policy and the Ampol Health and Safety Policy.

Ampol meets reporting requirements under the National Greenhouse and Energy Reporting Scheme, reporting energy consumption and production as well as greenhouse gas emissions from Group operations. Ampol also continues to disclose information on emissions under the National Pollutant Inventory. Ampol continues to remain a signatory to the Australian Packaging Covenant.

Compliance with environmental regulations

For the year ended 31 December 2020, regulators were notified of a total of six environmental reportable non-compliances. Of these, one incident resulted in environmental impacts of greater than 12 months duration. For the period, the group received nine formal notices from the regulator. Remediation action has been taken in relation to the incidents and notices. The business received no fines during the period. All incidents were investigated and lessons captured and shared across the Group.

Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 50 and forms part of the Directors' Report for the financial year ended 31 December 2020.

Directors' Report continued

Remuneration Report

Message from the Human Resources Committee

Dear Shareholder,

I am pleased to present Ampol's Remuneration Report for the year ended 31 December 2020. The Remuneration Report provides information about the executive remuneration framework and remuneration outcomes for Key Management Personnel (KMP). KMP comprises:

- Non-Executive Directors (NED); and
- the Managing Director and Chief Executive Officer (MD & CEO) and select direct reports to the MD & CEO (collectively, Senior Executives).

2020 was a year that presented many challenges for Ampol. Despite the impacts of bushfires on the east coast of Australia, followed by the onset of COVID-19, our people's agility and discipline ensured that we delivered for our customers while enhancing our position as a positive contributor in the local communities in which we operate.

I am proud of how our people responded, living our values and demonstrating the Ampol 'can do' spirit that underpins our market-leading reputation. This was evident in our safety performance which saw some of the best results in Ampol's history. Targeted improvement plans led to material reductions in the frequency of recordable injuries across both Convenience Retail and Fuels and Infrastructure (F&I). Our process safety result was also the best that Ampol has ever recorded.

Company performance in 2020

Ampol delivered resilient performance in 2020. Strong action was taken throughout the year to control costs and optimise operations across our integrated supply chain to protect our balance sheet and maximise value for shareholders, during a time of sustained weakness in refining margins and the destruction in fuel demand, particularly in aviation.

As a result of these impacts, our refinery and aviation business experienced large declines in turnover. During this time, Ampol welcomed the support of the Government's JobKeeper scheme which provided necessary assistance to both the refining and aviation businesses. JobKeeper payments were not claimed across the remainder (being the majority) of Ampol's business.

Despite the significant impacts to both aviation and refining, performance across our broader F&I business was resilient when considering the challenges of declining volumes, reduced scale efficiencies and changing global supply chains. In particular, our International business performed strongly.

Convenience Retail results were also strong, reflecting effective management of operating costs, improved shop performance and favourable industry retail fuel margins, which offset volume weakness.

Throughout 2020, we also delivered key capital initiatives for shareholders, including executing the Convenience Retail property transaction, delivering a hybrid bond issuance and announcing an Off-market Buy-back that will benefit all shareholders. Ampol also commenced its rebrand, which presents a unique opportunity to deepen customer relationships and increase our market share.

2020 remuneration outcomes

The following are the key remuneration decisions and outcomes from FY2020. They demonstrate the strong alignment between company performance and our executive remuneration framework:

- The transition of the MD & CEO early in the year resulted in several changes to Senior Executive portfolios and, as a result, three Senior Executives received temporary increases to their fixed remuneration through this transitionary period;
- There were no changes to NED fees;
- All KMP had their fixed remuneration and fees reduced by 20% for three months, as part of cost reduction activities adopted in response to COVID-19;
- For the second consecutive period, no short-term incentives (STIs) were paid to Senior Executives, as RCOP NPAT did not meet threshold performance requirements; and
- Approximately 7% of the 2018 long-term incentive plan (LTIP) grant vested, following performance testing over the three-year period to 31 December 2020.

As reported in the 2019 Remuneration Report, retention awards were granted to Senior Executives in March 2020, which vest in March 2021. These awards were one-off, made in the context of heightened retention risk through a protracted take-over bid and to support the MD & CEO transition. The retention awards are conditional on continued service, successful performance and appropriate conduct.

Remuneration Report continued

Message from the Human Resources Committee continued

Changes to Key Management Personnel

2020 saw the successful transition of Ampol's MD & CEO and several Senior Executives, with the Company's internal succession plans activated and key external appointments made. The key changes made to KMP in FY2020 were:

- Matthew Halliday was permanently appointed as MD & CEO, having acted as Interim CEO;
- Brent Merrick was promoted to Executive General Manager, Commercial, having most recently served as General Manager, Trading and Shipping for five years;
- Joanne Taylor was promoted into an expanded role covering people and brand, in addition to her existing retail portfolio;
- Andrew Brewer was appointed Executive General Manager, Infrastructure, returning to Ampol from Refining NZ; and
- Michael Ihlein and Gary Smith were appointed to the Ampol Board as Independent Non-Executive Directors.

Changes to the executive remuneration structure for 2021

In 2020, the Board conducted a comprehensive review of the executive remuneration framework, to identify opportunities to further drive our strategic priorities, strengthen our ability to attract and retain executive talent, and improve alignment with the interests of shareholders.

Key changes for 2021 include:

- Updated STI gate-opener and reduced maximum STI opportunity, to appropriately incentivise MD & CEO and Senior Executive behaviours;
- Introduction of STI deferral delivered in equity and a new minimum shareholding requirement, to enhance Senior Executive and shareholder alignment;
- Revised long-term incentive (LTI) program to support long-term share ownership, through a simplified one-year holding requirement for 100% of vested shares at the end of the three-year performance period, and an adjusted vesting schedule for the relative total shareholder return (TSR) performance measure to align with market practice; and
- Enhanced malus and clawback requirements across the framework to strengthen risk and remuneration consequences.

Overall, the redesigned executive remuneration framework reduces the maximum incentive opportunity, and increases the weighting on equity in the mix of total remuneration.

The Board is confident that the changes to the executive remuneration framework will deliver improved value to shareholders at a lower cost, while continuing to ensure focus on delivery of our strategic priorities. Additional information on the changes are provided in Table 1d. of this report.

On behalf of the Board, I thank you for your continued interest in Ampol. We trust that this overview, and the accompanying detail in the Remuneration Report are helpful when forming your views on Ampol's Senior Executive and NED remuneration arrangements.

Kind regards,

B K Ward

Barbara Ward AM

Chairman, Human Resources Committee

Directors' Report continued

Remuneration Report continued

The Directors of Ampol Limited present the Remuneration Report prepared in accordance with section 300A of the *Corporations Act 2001* (Cth) (*Corporations Act*) for the Ampol Group for the year ended 31 December 2020.

The information provided in this Remuneration Report has been audited as required by section 308(3C) of the *Corporations Act*, apart from where it is indicated that the information is unaudited.

1. Remuneration snapshot

1a. Key Management Personnel

This Remuneration Report is focused on the KMP of Ampol, being those persons with authority and responsibility for planning, directing and controlling the activities of Ampol.

Unless otherwise indicated, the KMP were classified as KMP for the entire financial year.

Current Non-executive Directors	
Steven Gregg	Chairman and Independent, Non-executive Director
Mark Chellew	Independent, Non-executive Director
Melinda Conrad	Independent, Non-executive Director
Michael Ihlein(i)	Independent, Non-executive Director
Gary Smith(ii)	Independent, Non-executive Director
Barbara Ward AM	Independent, Non-executive Director
Penny Winn	Independent, Non-executive Director
Former Non-executive Directors	
Bruce Morgan(iii)	Independent, Non-executive Director
Current Senior Executives	
Matthew Halliday(iv)	Managing Director and Chief Executive Officer
Andrew Brewer(v)	Executive General Manager, Infrastructure
Jeff Etherington(vi)	Interim Chief Financial Officer
Brent Merrick(vii)	Executive General Manager, Commercial
Joanne Taylor	Executive General Manager, Retail, Brand and Culture
Former Senior Executives	
Julian Segal(viii)	Managing Director and Chief Executive Officer
Louise Warner(ix)	Chief Commercial Officer

(i) Mr Ihlein was appointed to the Board as an Independent, Non-executive Director effective 1 June 2020.
(ii) Mr Smith was appointed to the Board as an Independent, Non-executive Director effective 1 June 2020.
(iii) Mr Morgan retired from the Board as an Independent, Non-executive Director effective 14 May 2020.
(iv) Mr Halliday was appointed Interim CEO effective 2 March 2020 and then permanently as MD & CEO effective 29 June 2020.
(v) Mr Brewer was appointed Executive General Manager, Infrastructure effective 1 December 2020.
(vi) Mr Etherington was appointed Interim Chief Financial Officer effective 2 March 2020.
(vii) Mr Merrick was appointed Executive General Manager, Commercial effective 28 September 2020.
(viii) Mr Segal ceased as MD & CEO effective 2 March 2020.
(ix) Ms Warner resigned as Chief Commercial Officer effective 28 September 2020.

Remuneration Report continued

1. Remuneration snapshot continued

1b. Senior Executive remuneration outcomes in 2020 (unaudited)

Remuneration element	Outcome
Fixed remuneration	Senior Executives had their base salary reduced by 20% for a period of three months in 2020 to assist in the organisational response to COVID-19. There were no changes made to the remuneration of the MD & CEO following his permanent appointment effective June 2020. As reported in the 2019 Remuneration Report, there were no permanent increases to fixed remuneration for Senior Executives, except for the Executive General Manager, Retail, Brand and Culture, who received a 2.5% salary increase in April 2020 to better align salary with market. Portfolios were temporarily expanded for Matthew Halliday from Chief Financial Officer to Interim Chief Executive Officer; Louise Warner from Executive General Manager, Fuels and Infrastructure to Chief Commercial Officer; and for Joanne Taylor who temporarily had accountability for the Government and Corporate Affairs portfolio in addition to Retail, Brand and Culture. Higher duties salaries were temporarily provided to Senior Executives through these temporary expansions to role. These amounts are included in the salary amounts reported in table 4a below.
STI	RCOP NPAT performance in 2020 was 43% of target, which is below the threshold level of performance and results in no 2020 STI awards being payable.
LTI	The 2017 LTI grant vested in April 2020, following Board assessment of performance measures over the 1 January 2017 to 31 December 2019 performance period. Overall, 6.66% of the 2017 LTI award vested in April 2020. This grant was subject to the achievement of relative TSR against S&P/ASX 100 companies (60%), a profit growth measure (20%) and a strategic measure (20%). • Ampol's relative TSR performance compared to S&P/ASX 100 companies over this period was below threshold performance (50th percentile). No portion of the performance rights subject to this measure vested on 1 April 2020. • A profit growth target attributable to merger and acquisition ventures was defined at the beginning of the performance period. While a number of ventures were successful in generating substantial NPAT over the period, performance was below threshold requirements and no portion of the performance rights subject to this measure vested on 1 April 2020. • The strategic measure was based on the implementation of our Convenience Retail strategy measured through both quantitative and qualitative metrics. Net Promoter Score increased 10% over the period and total shop sales achieved a 19% uplift; both measures were above the threshold performance requirements. The Board determined that threshold performance was achieved and 33.3% of the performance rights subject to this measure vested on 1 April 2020.
Retention award	To mitigate the heightened retention risk during a protracted take-over bid and to ensure Senior Executive team stability through the transition of the MD & CEO, one-off cash retention awards to the value of 100% of fixed annual remuneration were established in March 2020. The payments will be made in March 2021 to the MD & CEO, Interim Chief Financial Officer, and Executive General Manager, Retail, Brand and Culture.

1c. Summary of 2020 Non-executive Director fees

NED fees are fixed and do not have any variable components. The Chairman receives a fee for chairing the Ampol Limited Board and is not paid any other fees. Other NEDs receive a base fee and additional fees for committee chairmanship and membership, except for the Nomination Committee where no additional fee is paid.

NEDs base fees did not change in 2020. NED fees were reduced by 20% for a period of three months in 2020 to assist in the organisational response to COVID-19.

Superannuation contributions were made at a rate of 9.5%. No additional retirement benefits were paid.

Fees paid to NEDs are subject to a maximum annual NED fee pool of $2.5 million (including superannuation). The fee pool was approved by shareholders at the 2016 Annual General Meeting and is unchanged since that time.

See sections 4a and 4b for further detail.

Directors' Report continued

Remuneration Report continued

1. Remuneration snapshot continued

1d. Outlook for 2021 (unaudited)

Key changes to remuneration arrangements in FY21 are outlined below:

Change	Commentary
Senior Executive fixed remuneration	The Board determined there would be no increase to the fixed remuneration of the MD & CEO for 2021, and there are no anticipated increases for Senior Executives in 2021.
STI	The operation of the STI will be revised to incorporate: • *Updated STI gate-opener:* The RCOP NPAT financial gate-opener (requiring 80% of target performance) will continue to apply to the Ampol (Company) Scorecard, representing the majority of STI opportunity (65% weighting of overall STI, including 40% weighted to RCOP NPAT). • *Introduction of STI deferral:* A portion of awards will be deferred in restricted shares for two years (where the deferred component is over $25,000), 40% for the MD & CEO, and 25% for other Senior Executives. In conjunction with these changes, the maximum STI opportunity for Senior Executives has been reduced from 200% to 150% of STI target opportunity.
LTI	LTI awards will continue to be split into two equally weighted components, with the following performance hurdles: • *Relative TSR:* Measured against the S&P ASX100, with 50% vesting at median and pro-rata vesting up to 100% vesting for 75th percentile performance. The relative TSR vesting schedule has been set in line with prevalent market practice. • *Return on Capital Employed (ROCE):* Consistent with the 2020 LTI awards, the ROCE hurdle will provide for 33% vesting at threshold performance, 66% at target performance and 100% vesting at stretch performance. The ROCE threshold has been set above our Weighted Average Cost of Capital and with target ROCE aligned to the three-year business plan target. Subject to meeting performance conditions, 100% of LTI awards will convert to restricted shares following the end of the three-year performance period and placed into a holding lock until the end of year four. (This varies from LTI awards of previous years where 25% is held for four years, noting that this requirement can be waived if shareholding is greater than one times base salary).
Minimum shareholding requirement	A new minimum shareholding requirement will be introduced as 100% of fixed annual remuneration for the MD & CEO and 50% for other Senior Executives**.** The minimum shareholding is to be obtained within five years.
Malus and clawback	Enhanced malus and clawback requirements for variable remuneration will also be implemented. Board discretion will be retained.
Non-executive Director fees	Non-executive Director fees will not change in 2021.
Non-executive Director fee pool	There will be no change to the Non-executive Director fee pool in 2021.

As a result of the above changes to the executive framework in 2021, Senior Executive maximum total remuneration will be reduced by approximately 10%.

2. Oversight and external advice

2a. Board and Human Resources Committee

The Board takes an active role in the governance and oversight of Ampol's remuneration policies and practices. Approval of certain key human resources and remuneration matters are reserved for the Board, including setting remuneration for KMP and any discretion applied in relation to the targets or funding pool for Ampol's incentive plans.

The Human Resources Committee assists the Board to fulfil its corporate governance responsibilities in relation to Ampol's remuneration framework, incentive plans, succession planning, as well as diversity and inclusion.

Remuneration Report continued

2. Oversight and external advice continued

2a. Board and Human Resources Committee continued

The Human Resources Committee seeks to put in place appropriate remuneration arrangements and practices that are clear and understandable, attract and retain talent and capability, and support superior performance and long-term growth in shareholder value.

Further information about the role of the Board and the Human Resources Committee is set out in their charters, which are available on the Company's website (www.ampol.com.au).

2b. External advice

The Human Resources Committee is independent of management and is authorised to obtain external professional advice as necessary. The use of external specialists to provide advice and recommendations specifically in relation to the remuneration of KMP is either initiated directly, or approved by, the Human Resources Committee, and these specialists are directly engaged by the Human Resources Committee Chair.

During 2020, Ampol received no 'remuneration recommendations' (as defined in the *Corporations Act*).

3. Senior Executive remuneration

3a. Remuneration philosophy and structure

The guiding philosophy underpinning the way Ampol rewards Senior Executives and all other employees is outlined below:

Guiding philosophy	Commentary
Alignment with shareholders' interests	The payment of STI is dependent upon achieving threshold financial and non-financial performance aligned with Ampol's strategy. The vesting of LTI is aligned with achieving strong returns for shareholders with the key measures of success being both relative TSR and ROCE. Share restriction arrangements within the LTI scheme require all Senior Executives to build up and maintain shareholdings to encourage further alignment with Ampol shareholders. Further detail on these measures is outlined in section 3d.
Performance focused and differentiated	The Company's performance and reward processes enable individual connection to Ampol's strategy and values – *Connect to win, Find new ways, Own it, Make a difference, and Never stop caring* – and appropriately weight company and individual objectives based on role level of accountability and contribution. Assessment of performance drives differentiated reward outcomes.
Market competitive	Total reward offerings are set at competitive levels for comparable, similarly sized roles in each of the geographies we operate and allow Ampol to attract and retain quality talent. The Company's remuneration philosophy is to position fixed remuneration at the median of a customised peer group of companies, and total remuneration generally aligned to the upper quartile for stretch performance. Market benchmarking compares against two peer groups; a primary customised peer group consisting of 20 companies of comparable size and complexity, and which the Board considers to be leading competitors for capital and people; and a secondary peer group based on pure market capitalisation, consisting of 20 companies. Externally managed trusts and overseas domiciled companies are excluded.
Ensure gender equity in remuneration outcomes	Remuneration is reviewed to understand and address any gender-based pay differences on a like-for-like job level basis.

Remuneration structure

Our Senior Executive annual remuneration structure consists of:

- fixed remuneration: base salary, non-monetary benefits, and superannuation; and
- variable remuneration: short-term and long-term incentives delivered in cash and equity that vests over future years.

Variable remuneration is "at risk" and subject to individual and Group performance objectives. This comprises a mix of cash STIs (only payable if a threshold level of 80% RCOP NPAT target is met) and equity-based incentives awarded upon the achievement of relative TSR and a return-based performance measure. Superannuation is payable at a rate of 9.5% of base salary and on any STI payments delivered in cash. The remuneration structure (including the remuneration mix) is approved annually by the Board.

Directors' Report continued

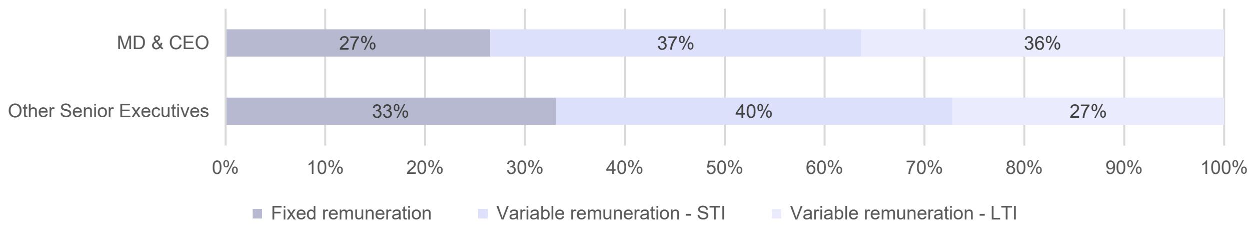
Remuneration Report continued

3. Senior Executive remuneration continued

3b. Remuneration mix

The maximum total remuneration mix for Senior Executives representing stretch performance is outlined below for 2020.

The remuneration mix is weighted more heavily towards variable remuneration to better align remuneration outcomes to executive performance. See section 3d for further information on the LTI performance hurdles and vesting schedules.



(i) The remuneration mix for other Senior Executives uses the average fixed remuneration of the cohort. STI reflects 120% of fixed remuneration and LTI reflects 90% of base salary.

(ii) Variable remuneration includes the superannuation payable on the cash portion and assumes all annual objectives and performance rights granted under the Ampol Equity Incentive Plan (AEIP) achieve target performance.

3c. Variable remuneration – 2020 STI Plan

Plan	STI awards are made under the Rewarding Results Plan.
Plan rationale	The plan rewards a combination of financial and non-financial performance measures that are aligned to the creation of shareholder value. Primary emphasis is placed on Company RCOP NPAT. Non-financial measures focus on safety and executing critical business plan objectives.
Performance period	The performance period is for the 12 months ending 31 December 2020.
2020 target and maximum stretch opportunity levels	For the MD & CEO the target STI opportunity is 70% of base salary and the maximum stretch STI opportunity is 140% of base salary. For other Senior Executives the target STI opportunity is 60% of base salary and the maximum stretch STI opportunity is 120% of base salary.
Financial gateway	RCOP NPAT performance, including the cost of incentives, needs to be at least 80% of target before any short-term incentives are payable. In 2020, RCOP NPAT achieved 43% of target, resulting in no STI being payable to Senior Executives.
Use of discretion	In 2020, the Human Resources Committee decided against exercising discretion in relation to any exceptional unforeseen and uncontrollable impacts on the agreed performance measures.
Payment vehicle	STI awards are delivered in cash.
Payment frequency	STI awards are paid annually. Payments are made in the April following the end of the performance period.

Senior Executive performance objectives

Senior Executive performance objectives were defined in support of the 2020 business plan and Ampol's longer-term strategic objectives. The Board has regularly monitored progress against business plan milestones and targets within each Senior Executive portfolio where specific performance measures were defined for teams and individuals. The Board approves the performance objectives of the MD & CEO and following recommendation from the MD & CEO, the Human Resources Committee reviews the performance objectives of the other Senior Executives.

Senior Executive performance assessment

The following table outlines the common performance objectives that applied to two or more Senior Executives in 2020. These measures accounted for between 50% and 55% of the Senior Executives' performance scorecards. The remaining performance objectives were specific to each Senior Executive portfolio, including delivery of specific strategic growth projects/milestones, achievement of divisional EBIT targets, and achievement of key development targets.

If all performance objectives are assessed at threshold, 60% of the target STI opportunity would be payable. If target performance is achieved, 100% of the STI target opportunity would be payable. If all objectives are assessed at stretch, 200% of the STI target opportunity would be payable. Payments are pro-rated between threshold and target, and between target and maximum on this basis noting this pay-out schedule deliberately incentivises above target performance.

Directors' Report continued

Remuneration Report continued

3. **Senior Executive remuneration** continued

3c. **Variable remuneration – 2020 STI Plan** continued

Senior Executive performance assessment continued

Measure	Description	Weighting	Performance assessment	Commentary
RCOP NPAT	RCOP NPAT is the primary performance measure in determining Senior Executive STI outcomes.(i)	40%	Below threshold	The FY2020 financial result was impacted by challenging market conditions, with sustained weakness in refining margins, and severe demand destruction arising from COVID-19. At a business unit level, F&I International and Convenience Retail achieved above target performance, however the impact of refining led to an overall result below threshold.
Personal safety – F&I	Performance is measured based on the Total Recordable Injury Frequency Rate (TRIFR)	5-7.5%	Target to stretch	F&I personal safety performance was between target and stretch with a TRIFR of 4.6, which is the best result since Ampol began measuring TRIFR. This represents an improvement of ~57% over the previous year and was achieved as a result of targeted improvement plans. The Days Away from Work Injury Frequency Rate (DAFWIFR) was 1.1 and there was no high severity (Cat 2) injuries.
Personal safety – Convenience Retail	Performance is measured based on the TRIFR	5-7.5%	Target to stretch	Convenience Retail personal safety performance was between target and stretch with a TRIFR of 10.1. This represents an improvement of ~28% over the previous year and was a result of the implementation of targeted safety plans. The DAFWIFR was 4.8 and there was one high severity (Cat 2) injury.
Process safety (assessed at company or business unit level)	Performance is measured based on the number of spills	5-7.5%	Target	Process safety performance met target with four minor spills and there were no Tier 1 Process Safety incidents for the second year in a row. This result is the strongest ever from Ampol, resulting from targeted improvement plans.
Free cash flow (FCF)	FCF excluding growth capital expenditure and dividends	5%	Below threshold	Free cash flow performance was below threshold for 2020.

(i) The RCOP NPAT methodology calculates the cost of goods sold on the basis of theoretical new purchases instead of actual costs from inventory. The cost of these theoretical new purchases is calculated as the average monthly cost of cargoes received during the month of those sales. Similarly, where there are sales revenues on a different basis to current month pricing, the revenue is recalculated on current pricing with the resulting pricing lag a component of reported inventory gains and losses. Each year, the Board reviews any significant items, positive and negative, and considers their relevance to the RCOP NPAT result. The Board may exclude any exceptional events from RCOP NPAT that management and the Board consider to be outside the scope of usual business. Exclusions may be made to give a clearer reflection of underlying financial performance from one period to the next.

Remuneration Report continued

3. Senior Executive remuneration continued

3d. Variable remuneration – 2020 LTI Plan

Plan	LTI awards are granted under the Ampol Equity Incentive Plan (AEIP).
Plan rationale	The AEIP aligns Senior Executive rewards with the shareholder experience. This is done using relative TSR and ROCE performance measures to ensure capital is maximised to deliver strong shareholder returns.
LTI instrument	Performance rights are granted by the Company for nil consideration. Each performance right is a right to receive a fully paid ordinary share at no cost provided performance and service-based vesting conditions are achieved. Performance rights do not carry voting or dividend rights. The Board may determine to pay Senior Executives the cash value of a share in satisfaction of a vested performance right, instead of providing a share or restricted share. It is expected such discretion will only be exercised in limited cases, typically where the Senior Executive is a 'good leaver' from Ampol, that is where the employee ceases employment due to redundancy or retirement. Overseas based Senior Executives may also receive rights which can only be cash-settled (but these awards have the same service conditions and performance hurdles).
Allocation methodology	The number of performance rights granted is determined by dividing the maximum opportunity level by the 20-day volume weighted average share price up to the first day of the performance period, discounted by the value of the annual dividend to which the performance rights are not entitled. No discount is applied for the probability of achieving the performance measures.
Performance period	The performance period is three years commencing on 1 January in the year the awards are made. For the 2020 awards, this is the three-year period from 1 January 2020 to 31 December 2022.
Target and stretch opportunity	The MD & CEO received a grant of performance rights based on a maximum stretch LTI value of 150% of base salary. The target LTI value is 100% of base salary. Other Senior Executive grants were based on a maximum stretch LTI value of 90% of base salary with target LTI value of 60% of base salary.
Performance measure weightings	The performance measures of relative TSR assessed against a comparator group of S&P/ASX 100 companies and ROCE assessed against business plans were equally weighted in the 2020 awards.
Vesting	Vesting will occur in the April following the performance period once the performance measures have been assessed per the vesting schedule. For the 2020 awards, this will be April 2023.
Vesting schedule	Relative TSR performance and percentage of the rights that will vest: • Below threshold: 0% • Threshold (50th percentile): 33.3% • Threshold to target: Pro-rata vesting occurs between these relative performance levels • Target (75th percentile): 66.6% • Target to stretch: Pro-rata vesting occurs between these relative performance levels • Stretch (90th percentile): 100% ROCE is determined as RCOP EBIT over Capital Employed using the monthly average values for the performance period. ROCE performance and percentage of the rights that will vest are the same as the relative TSR measure(i); at threshold performance 33.3% of rights vest, at target 66.6% of rights vest, and at stretch 100% with pro-rata vesting occurring between these relative vesting levels.
Shares acquired upon vesting of the performance rights	Shares to satisfy vested performance rights are usually purchased on market. Shares allocated upon vesting of performance rights will carry the same rights as other ordinary shares (including dividends and voting rights).

(i) Threshold ROCE performance has been set above our Weighted Average Cost of Capital and target aligned to the three-year business plan target approved in 2020. The Board has full discretion in relation to its assessment of ROCE performance and may include or exclude items to appropriately reflect the impact of corporate actions such as mergers and acquisitions or major projects which, while in shareholders' long-term interests, may adversely impact near-term ROCE. Specific details of the ROCE targets have not been disclosed due to commercial sensitivity, although, the Remuneration Report for the year ending December 2022 will present Ampol's performance against the ROCE targets.

Directors' Report continued

Remuneration Report continued

3. Senior Executive remuneration continued

3d. Variable remuneration – 2020 LTI Plan continued

Share restriction arrangements	Share restriction arrangements are designed to encourage Senior Executive shareholding in Ampol over a longer period and further align with shareholder interests. 25% of the vested portion of performance rights will be converted into restricted shares. These shares are unable to be sold for a further period of four years (until 1 April 2027 for the 2020 LTI awards). This effectively extends the life of the AEIP from three years to seven years. For LTI awards from 2016, restriction arrangements may be waived if the Senior Executive can demonstrate he or she holds the equivalent of 100% of their base salary in shares prior to vesting. On ceasing employment, all dealing restrictions on the restricted shares cease to apply, subject to the application of the Clawback Policy.
Clawback Policy	See section 3e for information on the Ampol Clawback Policy.
Termination provisions	Should an AEIP participant cease to be an employee due to resignation, all unvested equity awards held by the participant will lapse, except in exceptional circumstances as approved by the Board. The Board has the discretion to determine the extent to which equity awards granted to a participant under the AEIP vest on a pro-rated basis, where the participant ceases to be an employee for reasons including retirement, death, total and permanent disablement, and redundancy. In these cases, the Board's usual practice is to pro-rate the award to reflect the portion of the period from the date of grant to the date the participant ceased to be employed. In addition, the portion of the award that ultimately vests is determined by testing against the relevant performance measures at the usual time.
Change of control provisions	Any unvested performance rights may vest at the Board's discretion.

2018 and 2019 LTI awards

The 2018 and 2019 LTI awards will vest in April 2021 and April 2022 respectively, with a 60% weighting on relative TSR performance and 40% on other measures.

For the 2018 LTI award, 40% of the award is based upon three strategic measures. The performance assessment for the 2018 award that will vest in April 2021 is as follows:

- The vesting performance of the relative TSR measure (60%) was below threshold. Ampol's three-year TSR performance compared to S&P/ASX 100 companies over the period from 1 January 2018 to 31 December 2020 was -4.5%, placing it at the 38th percentile of the comparator group. No portion of the performance rights subject to the relative TSR performance measure will vest on 1 April 2021, given performance below the 50th percentile.
- The vesting performance of the F&I profit growth measure (20%) was below threshold. In 2018, Ampol set strategic objectives to deliver increased earnings through merger and acquisition ventures related to entry into or development of new markets, products and/or services. This excludes business-as-usual improvement efforts, including cost-out or continuous improvement efforts and growth in current business activities.
- The vesting performance of the Convenience Retail EBIT growth measure (10%) was below threshold. Since the establishment of the Convenience Retail EBIT growth measure in 2018, several factors have contributed to a decline in earnings. The most significant contribution during 2019 was the softening of the retail fuel margin. While margins have improved during 2020, this has been somewhat offset by demand destruction due to COVID-19. Regardless of the effect of COVID-19 on the 2020 result, the incremental EBIT is below threshold.
- The vesting performance of the franchisee transition measure (10%) was at target. In 2018, Ampol commenced a long-term project to transition more than 400 franchised retail stores to Ampol ownership. The Board has assessed the project as meeting target objectives across the balance of qualitative and quantitative performance criteria, including project budget and timeline delivered between target and stretch, and success of the change management program. Just 12 sites continue to trade as franchised sites through to their agreement expiry dates. The at target performance assessment of the franchise transition measure results in 66.6% of this measure vesting (6.66% of the total 2018 LTI award).

Directors' Report continued

Remuneration Report continued

3. Senior Executive remuneration continued

3d. Variable remuneration – 2020 LTI Plan continued

2018 and 2019 LTI awards (continued)

For the 2019 LTI award, 60% of the award is based on relative TSR and 40% ROCE. The performance assessment of both relative TSR and ROCE are consistent with what has been outlined above under the 2020 awards.

The ROCE measure reflects the importance placed on capital discipline and the need to grow earnings in our Convenience Retail and F&I business areas, but only where this can be done at an appropriate return on the invested capital to maximise value for shareholders.

3e. Clawback Policy

Ampol has a Clawback Policy which allows the Company to recoup incentives which may have been awarded and/or vested to Senior Executives in certain circumstances. The specific triggers which allow Ampol to recoup the incentives include Senior Executives acting fraudulently or dishonestly; acting in a manner which has brought a Group company into disrepute; where there has been a material misstatement or omission in the financial statements in relation to a Group company in any of the previous three financial years; or any other circumstances the Board determines in good faith to have resulted in an 'unfair benefit' to the Senior Executive.

Upon the occurrence of any of the triggers, the Board may then take such actions it deems necessary or appropriate to address the events that gave rise to an 'unfair benefit'. Such actions may include:

1. requiring the Senior Executive to repay some or all cash or equity incentive remuneration paid in any of the previous three financial years;
2. requiring the Senior Executive to repay any gains realised in any of the previous three financial years through the AEIP or on the open-market sale of vested shares;
3. cancelling or requiring the forfeiture of some or all the Senior Executive's unvested performance rights, restricted shares, or shares;
4. reissuing any number of performance rights or restricted shares to the participant subject to new vesting conditions in place of the forfeited performance rights, restricted shares or shares;
5. adjusting the Senior Executive's future incentive remuneration; and/or
6. initiating legal action against the Senior Executive.

3f. Hedging and margin lending policies

The Ampol Securities Trading Policy prohibits KMP from entering into any arrangements that would have the effect of limiting their exposure relating to Ampol securities, including vested Ampol securities or unvested entitlements to Ampol securities under Ampol employee incentive schemes.

KMP are prohibited from entering into any margin lending arrangements and other secured financing arrangements in respect of Ampol securities.

KMP are required to undertake training to ensure that they are aware of and understand their obligations and responsibilities under the Securities Trading Policy, which is available on our website. A contravention is a serious matter and may lead to disciplinary action, including termination of employment.

Remuneration Report continued

3. Senior Executive remuneration continued

3g. Senior Executive remuneration and service agreements

MD & CEO

The MD & CEO’s remuneration is determined by the Board following receipt of a recommendation from the Human Resources Committee. In making its remuneration recommendation, the Human Resources Committee considered the performance of the MD & CEO and external market remuneration levels for companies of a similar size and complexity.

The split between the MD & CEO’s 2020 annual total target and maximum remuneration is outlined below.

<table>
<tr><th rowspan="2"></th><th rowspan="2">Fixed remuneration</th><th colspan="2">Variable remuneration</th></tr>
<tr><th>STI [ii]</th><th>LTI [iii]</th></tr>
<tr><td>Target</td><td rowspan="2">$1,806,750[i]</td><td>$1,264,725 (70% of base salary)

Where target performance is achieved; all Company and individual financial and non-financial (incl. strategic) measures are assessed as meeting target objectives.</td><td>$1,650,000 (100% of base salary)

Where target performance is achieved; relative TSR 75th percentile of ASX 100 companies and ROCE measure meets target objective.</td></tr>
<tr><td>Maximum</td><td>$2,529,450 (140% of base salary)

Where stretch performance is achieved; all Company and individual financial and non-financial (incl. strategic) measures are assessed as meeting stretch objectives.</td><td>$2,475,000 (150% of base salary)

Where stretch performance is achieved; relative TSR 90th percentile of ASX 100 companies and ROCE measure meets stretch objective.</td></tr>
</table>

(i) The MD & CEO’s fixed remuneration remains unchanged since his appointment effective 29 June 2020. It consists of a base salary of $1,650,000 and superannuation of $156,750.
(ii) Values include the superannuation contributions of 9.5% in addition to STI target and maximum amounts.
(iii) LTI performance measures are tested at the end of a three year performance period. Share restriction arrangements encourage share retention and promote alignment with shareholders over the longer term.

Table 1. Summary of MD & CEO’s service agreement

Term	Conditions
Duration	Ongoing until notice is given by either party
Termination by MD & CEO	Six months’ notice Company may elect to make payment in lieu of notice
Termination by Company for cause	No notice requirement or termination benefits (other than accrued entitlements)
Termination by Company (other)	Six months’ notice Termination payment of six months’ base salary (reduced by any payment in lieu of notice) Treatment of unvested STI and LTI in accordance with plan terms
Post-employment restraints	Restraint applies for six months if employed in the same industry within Australia

Mr Matthew Halliday was appointed as Chief Financial Officer in April 2019. Mr Halliday received an award of restricted shares to compensate him for forgone LTI at his prior employer. The restricted share grant will vest in four tranches over three years and reflects the vesting schedule of the LTI forgone. Each unvested tranche will lapse if his employment ceases due to resignation, negligent behaviour, unsatisfactory performance or circumstances requiring immediate termination prior to each respective vesting date. This arrangement was established prior to his appointment to the MD & CEO role.

Directors' Report continued

Remuneration Report continued

3. Senior Executive remuneration continued

3g. Senior Executive remuneration and service agreements continued

Other Senior Executives

The remuneration and terms of employment for the other Senior Executives are formalised in service agreements (contracts of employment). Other Senior Executives are appointed as permanent Ampol employees and the terms and conditions reflect market conditions at the time of the contract negotiation and appointment. The durations of the service agreements are open-ended (i.e. ongoing until notice is given by either party). The material terms of the service agreements are set out below. For all permanently appointed Senior Executives the termination on notice (by the Company) is six (6) months and the notice period for resignation (by the Senior Executive) is six (6) months.

Table 2. Service agreements for Senior Executives

	Termination on notice (by the Company)	Resignation (by the Senior Executive)
Permanently appointed Senior Executives	6 months	6 months

Should a Senior Executive resign, their entitlement to unvested shares payable through the AEIP would generally be forfeited and, if resignation was on or before 1 April of the year, any entitlement under the Rewarding Results Plan would also be forfeited subject to the discretion of the Board. Should a Senior Executive be made redundant, their redundancy payment is determined by the Ampol Redundancy Policy with the payment calculated based on years of service and the applicable notice period.

Other than prescribed notice periods, there is no special termination benefit payable under the service agreements. Statutory benefits (such as long service leave) are paid in accordance with the legislative requirements at the time the Senior Executive ceases employment.

Former Managing Director and Chief Executive Officer – Julian Segal

Mr Julian Segal retired effective 2 March 2020. On retirement his unvested 2018 and 2019 LTI awards were pro-rated based on the portion of the vesting period he was employed. The portion of LTI awards he retains will remain subject to the applicable performance hurdles and will vest, if applicable, in accordance with original terms of offer and at the end of the performance periods in April 2021 and April 2022. He did not receive a 2020 LTI award and no STI was payable for 2020.

Former Chief Commercial Officer – Louise Warner

Ms Louise Warner resigned effective 28 September 2020. Upon resignation her unvested LTI awards and retention award lapsed in accordance with original terms of offer.

Remuneration Report continued

3. Senior Executive remuneration continued

3h. Link between Company performance and Senior Executive remuneration

The link between Senior Executive remuneration and Company performance is outlined in section 1 where the 2020 remuneration outcomes are provided, and section 3 where the STI and LTI performance measures are explained.

Table 3 outlines Ampol's TSR, dividend, share price, earnings per share, RCOP NPAT results and safety performance each year from 2016 to 2020 together with the linkage to actual STI and LTI outcomes.

Table 3. Link between Company performance and Senior Executive remuneration (unaudited)

Summary of performance over 2016-20	2020	2019	2018	2017	2016
12-month TSR %(i)	**-14.1**	36.9	-21.7	11.8	-16.4
Dividends (cents per share)	**76c**	93c	118c	121c	102c
Share price(ii)	**$28.42**	$33.95	$25.48	$34.05	$30.46
RCOP excluding significant items earnings per share	**$0.84**	$1.36	$2.06	$2.38	$2.01
RCOP NPAT excluding significant items (million)(iii)	**$212**	$344	$538	$621	$524
Ampol Safety – TRIFR (iv)	**7.4**	11.5	8.3	5.2	5.6
Ampol Safety – DAFWIFR(v)	**3.1**	5.7	2.0	1.4	1.7
Link to remuneration					
STI – percentage of business plan RCOP NPAT target achieved	**43%**	65%	89%	119%	87%
STI – average Senior Executive outcome (relative to target)	**0%**	0%	88%	121%	95%
LTI – percentage vesting three years after grant date					
Year of grant	**2018**	2017	2016	2015	2014
Percentage of grant vesting	**6.66%**	6.66%	21.22%	22.38%	84.78%

(i) TSR is a measure of the return to shareholders in respect of each financial year. It is calculated as the change in share price for the year, plus dividends announced for the year, divided by the opening share price.
(ii) The price quoted is the trading price for the last day of trading (31 December) in each calendar year.
(iii) Measured using the RCOP method which excludes the impact of inventory gains and losses and significant items as determined by the Board providing a truer reflection of underlying financial performance.
(iv) Total Recordable Injury Frequency Rate (TRIFR).
(v) Days Away from Work Injury Frequency Rate (DAFWIFR). The total number of occupational injuries resulting in 'Days Away from Work' as certified by a physician during a nominated reporting period per 1,000,000 hours worked for a nominated reporting period.

Directors' Report continued

Remuneration Report continued

3. Senior Executive remuneration continued

3i. Remuneration tables

Table 4a. Total remuneration earned by Senior Executives in 2020 (unaudited, non-statutory disclosures)

The following table sets out the actual remuneration earned by Senior Executives in 2020. The value of remuneration includes the equity grants where the Senior Executive received control of the shares in 2020.

The purpose of this table is to provide a summary of the "past" and "present" remuneration outcomes received in either cash or equity. Due to this, the values in this table will not reconcile with those provided in the statutory disclosures in table 4b. For example, table 4b discloses the value of LTI grants which may or may not vest in future years amortised over the vesting period and may be negative when adjustments for actual vesting outcomes are applied. Table 4a discloses the value of LTI grants from previous years which vested in 2020.

	Salary and fees(i)	Other remuneration (ii)	Bonus (short-term incentive)	Termination Benefit(iii)	Retention Award(iv)	LTI vested during the year(v)	Remuneration 'earned' for 2020(vi)
Current Senior Executives							
Matthew Halliday (Managing Director and Chief Executive Officer) (vii)(viii)							
2020	**1,470,278**	**205,110**	**-**	**-**	**1,533,000**	**408,489**	**3,616,877**
Andrew Brewer (Executive General Manager, Infrastructure) (ix)							
2020	**67,659**	**14,584**	**-**	**-**	**-**	**-**	**82,243**
Jeff Etherington (Interim Chief Financial Officer) (vii)(x)							
2020	**594,730**	**67,891**	**-**	**-**	**766,500**	**17,358**	**1,446,479**
Brent Merrick (Executive General Manager, Commercial) (xi)							
2020	**181,777**	**64,610**	**-**	**-**	**-**	**-**	**246,387**
Joanne Taylor (Executive General Manager, Retail, Brand and Culture) (vii)							
2020	**854,695**	**90,244**	**-**	**-**	**886,676**	**28,915**	**1,860,530**
Former Senior Executives							
Julian Segal (Former Managing Director and Chief Executive Officer) (vii)(xii)							
2020	**408,083**	**150,094**	**-**	**1,074,250**	**-**	**-**	**1,632,427**
Louise Warner (Former Chief Commercial Officer) (vii)(xiii)							
2020	**749,964**	**108,133**	**-**	**237,567**	**-**	**36,441**	**1,132,105**
Total remuneration:							
2020	**4,327,186**	**700,666**	**-**	**1,311,817**	**3,186,176**	**491,203**	**10,017,048**

(i) Salary and fees comprise base salary and cash payments in lieu of employer superannuation (on 2020 base salary and/or on STI payments).
(ii) Other remuneration includes superannuation, annual leave and long service leave entitlements, and any fringe benefits tax payable on non-monetary benefits. For Mr Merrick this includes relocation assistance provided in support of his return to Australia from Singapore.
(iii) Termination benefits includes salary paid during the Senior Executives' notice period.
(iv) To manage heightened retention risk through a protracted take-over bid and to support the MD & CEO transition, a one-off cash retention award to the value of 100% of fixed annual remuneration was established in March 2020. The retention awards are conditional on continued service, successful performance and appropriate conduct.
(v) This refers to cash and equity based LTI plans from prior years that have vested in the current 2020 year. The value is calculated using the closing share price of Company shares on the vesting date. The 2020 LTI figures reflect 6.66% of the 2017 LTI Award vested. For Mr Halliday, this amount refers to the value of the restricted shares which vested to him during 2020 (refer to tables 5 and 6 below for more detail).
(vi) This refers to the total value of remuneration earned during 2020, being the sum of the prior columns.
(vii) These Senior Executives elect to receive an equivalent cash payment in lieu of employer superannuation that is in excess of the quarterly Superannuation Guarantee Maximum.
(viii) Mr Halliday was appointed Interim CEO effective 2 March 2020 and then permanently MD & CEO on 29 June 2020.
(ix) Mr Brewer was appointed Executive General Manager, Infrastructure effective 1 December 2020.
(x) Mr Etherington was appointed Interim Chief Financial Officer effective 2 March 2020.
(xi) Mr Merrick was appointed Executive General Manager, Commercial effective 28 September 2020.
(xii) Mr Segal ceased as MD & CEO effective 2 March 2020.
(xiii) Ms Warner resigned as Chief Commercial Officer effective 28 September 2020.

Remuneration Report continued

3. Senior Executive remuneration continued

3i. Remuneration tables continued

Table 4b. Total remuneration for Senior Executives in 2020 (statutory disclosures)

The following table sets out the audited total remuneration for Senior Executives in 2019 and 2020, calculated in accordance with statutory accounting requirements:

	Primary			Post-employment	Other long-term			Equity		Total
	Salary and fees[i]	Bonus (short-term incentive)	Non-monetary benefits[ii]	Super-annuation	Other[iii]	Termination Benefit [iv]	Retention Award[v]	Share benefits (long-term incentive) [vi]	Rights benefits (long-term incentive) [vii]	
Current Senior Executives										
Matthew Halliday (Managing Director and Chief Executive Officer) [vi][viii][ix]										
2020	**1,552,762**	**-**	**59,972**	**21,348**	**41,305**	**-**	**1,277,500**	**809,972**	**63,016**	**3,825,875**
2019	761,279	-	25,378	15,634	16,914	-		1,028,564	115,871	1,963,640
Andrew Brewer (Executive General Manager, Infrastructure) [x]										
2020	**72,874**	**-**	**1,242**	**6,428**	**1,699**	**-**	**-**	**-**	**-**	**82,243**
2019	-	-	-	-	-	-		-	-	-
Jeff Etherington (Interim Chief Financial Officer) [viii][xi]										
2020	**620,225**	**-**	**13,550**	**16,098**	**12,748**	**-**	**638,750**	**-**	**(8,516)**	**1,292,855**
2019	-	-	-	-	-	-		-	-	-
Brent Merrick (Executive General Manager, Commercial) [xii]										
2020	**195,306**	**-**	**29,360**	**17,124**	**4,597**	**-**	**-**	**-**	**53,164**	**299,551**
2019	-	-	-	-	-	-		-	-	-
Joanne Taylor (Executive General Manager, Retail, Brand and Culture) [viii]										
2020	**882,719**	**-**	**20,632**	**21,348**	**20,240**	**-**	**738,897**	**-**	**(1,499)**	**1,682,337**
2019	845,526	-	18,469	20,767	19,746	-		-	176,909	1,081,417
Former Senior Executives										
Julian Segal (Former Managing Director and Chief Executive Officer) [viii][xiii]										
2020	**501,690**	**-**	**3,965**	**16,667**	**35,856**	**1,074,250**	**-**	**-**	**(261,957)**	**1,370,471**
2019	2,264,809	-	16,044	25,000	53,619	-		-	907,296	3,266,768
Louise Warner (Former Chief Commercial Officer) [viii][xiv]										
2020	**800,435**	**-**	**14,410**	**21,348**	**21,904**	**237,567**	**-**	**-**	**(354,231)**	**741,433**
2019	995,956	-	16,280	20,767	21,837	-		-	214,295	1,269,135
Total remuneration:										
2020	**4,626,011**	**-**	**143,131**	**120,361**	**138,349**	**1,311,817**	**2,655,147**	**809,972**	**(510,023)**	**9,294,765**
2019	4,867,570	-	76,171	82,168	112,116	-	-	1,028,564	1,414,371	7,580,960

Directors' Report continued

Remuneration Report continued

3. Senior Executive remuneration continued

3i. Remuneration tables continued

Table 4b. Total remuneration for Senior Executives in 2020 (statutory disclosures) continued

(i) Salary and fees include base salary and cash payments in lieu of employer superannuation. For 2020 the cash payments in lieu of employer superannuation is on 2020 base salary. These figures also include any annual leave accruals for Senior Executives.

(ii) The non-monetary benefits received by Senior Executives include car parking benefits, employee AmpolCard benefits, the payment of the default premiums for death and total and permanent disability insurance cover and related fringe benefits tax payments made by Ampol.

(iii) Other long-term remuneration represents the long service leave accruals for all Senior Executives. For Mr Merrick this includes relocation assistance provided in support of his return to Australia from Singapore.

(iv) Termination benefits includes salary paid during notice periods.

(v) This value represents the amount of the retention award accrued for in 2020 being 10 out of 12 months of the total retention award.

(vi) Share benefits represent the value of the restricted shares awarded to Mr Halliday on commencing employment. These values have been calculated in accordance with accounting standards with further details regarding these awards set out in Table 5.

(vii) These values have been calculated in accordance with accounting standards. The values may not represent the future value that the Senior Executive will receive, as the vesting of the performance rights is subject to Ampol achieving pre-defined performance measures. The value of restricted shares and performance rights is amortised over the applicable vesting period. The amount shown is the amortisation relating to the 2020 reporting year (and 2019 as a comparison). The accounting value of share-based payments may be negative where an executive's share-based payment expense includes adjustments for previously incurred expenses relating to an award that has not met its vesting conditions. For Mr Merrick this value includes a one-off retention award of share rights granted in 2019 vesting in equal tranches in April 2021 and April 2022.

(viii) These Senior Executives elect to receive an equivalent cash payment in lieu of employer superannuation that is in excess of the quarterly Superannuation Guarantee Maximum.

(ix) Mr Halliday was appointed Interim CEO effective 2 March 2020 and then permanently MD & CEO on 29 June 2020.

(x) Mr Brewer was appointed Executive General Manager, Infrastructure effective 1 December 2020.

(xi) Mr Etherington was appointed Interim Chief Financial Officer effective 2 March 2020.

(xii) Mr Merrick was appointed Executive General Manager, Commercial effective 28 September 2020.

(xiii) Mr Segal ceased as MD & CEO effective 2 March 2020.

(xiv) Ms Warner resigned as Chief Commercial Officer effective 28 September 2020.

Remuneration Report continued

3. Senior Executive remuneration continued

3i. Remuneration Tables continued

Table 5. Unvested shareholdings of Senior Executives during 2020

	Unvested shares at 31 Dec 2019	Restricted shares granted	Shares vested in current performance year	Forfeited	Unvested shares at 31 Dec 2020
Matthew Halliday(i)	76,898	-	16,268	-	60,630

(i) The restricted shares awarded to Mr Halliday represent the grant received on commencement with Ampol in lieu of the LTI forgone with his previous employer (refer to section 3g for further detail). 17.5% vested in October 2019 and 17.5% vested in October 2020. 30.2% will vest in October 2021 and the final tranche of 34.8% will vest in October 2022.

Table 6. Restricted share grant to a Senior Executive – other awards

The following table provides an estimate of the future cost to Ampol of unvested restricted shares based on the progressive vesting of the restricted shares. One award was made to Matthew Halliday in 2019 in respect of unvested LTI which lapsed upon his resignation with his prior employer. The estimated future cost of the unvested shares has been supplied below.

	Type of award	Year of award	Vested (% of shares vested)	Future years when shares will vest	Future cost to Ampol of unvested shares ($)
Matthew Halliday	Sign-on	2019	35.0%	2021 (30.2%) 2022 (34.8%)	704,486

Table 7. 2020 Senior Executive performance rights

LTIs for Senior Executives are awarded as performance rights under the AEIP as explained in section 3d. The following table sets out details of movements in performance rights held by Senior Executives during the year, including details of the performance rights that vested as presented in table 4a.

	Performance rights at 1 Jan 2020(i)	Granted in 2020(ii)	Vested in 2020(iii)	Lapsed in 2020(iv)	Balance at 31 December 2020(v)
Current Senior Executives					
Matthew Halliday	**37,505**	67,604	-	-	105,109
Andrew Brewer(vi)	**8,717**	-	-	-	8,717
Jeff Etherington(vii)	**42,308**	10,836	(745)	(17,013)	35,386
Brent Merrick(viii)	**45,653**	-	-	-	45,653
Joanne Taylor	**66,045**	23,462	(1,241)	(17,374)	70,892
Former Senior Executives					
Julian Segal(ix)	**366,450**	-	-	(99,038)	267,412
Louise Warner(x)	**81,935**	28,974	(1,564)	(109,345)	-

(i) This relates to the 2017, 2018 and 2019 performance rights. If the service-based and performance-based vesting conditions are achieved, the 2018 and 2019 performance rights will vest in 2021 and 2022 respectively. For Senior Executives appointed during the year this includes performance rights held at the time of appointment. For Mr Merrick this value includes a one-off retention award of share rights granted in 2019 vesting in equal tranches in April 2021 and April 2022.
(ii) This relates to the 2020 performance rights. If the service-based and performance-based vesting conditions are achieved, these performance rights will vest in 2023.
(iii) This relates to the 2017 performance rights of which 6.66% vested. Senior Executives received one Ampol share for each right that vested.
(iv) This relates to the 2017 performance rights of which 93.33% lapsed and for the former Senior Executives the full or pro-rated portion of unvested performance rights which lapsed on cessation of employment. Refer to section 3g.
(v) The performance rights for any former Senior Executives are as at the date they ceased employment or retired from their office.
(vi) Mr Brewer was appointed Executive General Manager, Infrastructure effective 1 December 2020.
(vii) Mr Etherington was appointed Interim Chief Financial Officer effective 2 March 2020.
(viii) Mr Merrick was appointed Executive General Manager, Commercial effective 28 September 2020.
(ix) Mr Segal ceased as MD & CEO effective 2 March 2020.
(x) Ms Warner resigned as Chief Commercial Officer effective 28 September 2020.

Directors' Report continued

Remuneration Report continued

3. Senior Executive remuneration continued

3i. Remuneration tables continued

Table 8. Valuation assumptions of performance rights granted

The fair value of performance rights granted under the AEIP is determined independently by Deloitte using an appropriate numerical pricing model. The model considers a range of assumptions and the fair values for each year of grant have been calculated incorporating the assumptions below.

	2020 grant(i)(ii)		2019 grant(i)		2018 grant(i)	
	Relative TSR against S&P/ASX 100	ROCE measure	Relative TSR against S&P/ASX 100	ROCE measure	Relative TSR against S&P/ASX 100	Strategic measure
Grant date	**03 April 2020**	**03 April 2020**	4 April 2019/ 20 May 2019	4 April 2019/ 20 May 2019	4 April 2018/ 18 May 2018	4 April 2018/ 18 May 2018
Vesting date	**1 April 2023**	**1 April 2023**	1 April 2022	1 April 2022	1 April 2021	1 April 2021
Exercise price	**Nil**	**Nil**	Nil	Nil	Nil	Nil
Volatility	**29%**	**29%**	20%/20%	20%/20%	23%/22%	23%/22%
Risk-free interest rate	**0.2%**	**0.2%**	1.4%/1.2%	1.4%/1.2%	2.2%/2.3%	2.2%/2.3%
Dividend yield	**3.6%**	**3.6%**	4.5%/4.4%	4.5%/4.4%	3.6%/3.9%	3.6%/3.9%
Expected life (years)	**3.0 years**	**3.0 years**	3.0/2.9 years	3.0/2.9 years	3.0/2.9 years	3.0/2.9 years
Share price at grant date	**$23.00**	**$23.00**	$26.50/$27.01	$26.50/$27.01	$31.42/$30.81	$31.42/$30.81
Valuation per right	**$9.07**	**$20.65**	$8.23/$8.08	$23.19/$23.83	$11.88/$9.74	$28.24/$27.53

(i) Market performance measures, such as relative TSR, must be incorporated into the option-pricing model valuation used for the AEIP performance rights, which is reflected in the valuation per performance right. Non-market vesting conditions such as ROCE and strategic measures are not taken into account when determining the value of the performance right. This explains the higher valuation for these performance rights. However, the value of the ROCE and strategic measures may be discounted during the performance period to reflect the Board's assessment of the probability of the number of equity instruments that will vest based on progress against the performance measures. These values are reflected in table 4b.

(ii) In 2020 AEIP performance grants were made on 3 April 2020. In previous years the MD & CEO's awards were made after shareholder approval was obtained at the Annual General Meeting held in May. Approval for Mr Halliday's 2020 award was not sought as he was Interim CEO and not a Managing Director at this time.

Table 9. Mix of fixed and variable remuneration based on 2020 statutory remuneration table

The fixed and variable proportion of each Senior Executive's remuneration for 2020 is outlined below. The percentages are based on the 2020 statutory remuneration disclosures in table 4b (including the LTI values which are determined in accordance with accounting standards), and do not correspond to the target remuneration percentages outlined in section 3b.

	Fixed	Variable (including short-term and long-term incentive payments)
Current Senior Executives		
Matthew Halliday	44%	56%
Andrew Brewer	100%	-
Jeff Etherington	51%	49%
Brent Merrick	82%	18%
Joanne Taylor	56%	44%
Former Senior Executives		
Julian Segal(i)	100%	-
Louise Warner(ii)	100%	-

(i) Mr Segal ceased as MD & CEO effective 2 March 2020.
(ii) Ms Warner resigned as Chief Commercial Officer effective 28 September 2020.

Directors' Report continued

Remuneration Report continued

3. **Senior Executive remuneration** continued

3i. **Remuneration tables** continued

Table 10. FY2020 STI outcomes

The following table sets out the actual STI outcome for each Senior Executive as a percentage of their maximum STI opportunity.

Current Senior Executives	2020	2019
Matthew Halliday[(i)]	0%	0%
Andrew Brewer[(ii)]	0%	-
Jeff Etherington[(iii)]	0%	-
Brent Merrick[(iv)]	0%	-
Joanne Taylor	0%	0%
Former Senior Executives		
Julian Segal[(v)]	0%	0%
Louise Warner[(vi)]	0%	0%
Average[(vii)]	**0%**	**0%**

(i) Mr Halliday was appointed Interim CEO effective 2 March 2020 and then permanently MD & CEO on 29 June 2020.
(ii) Mr Brewer was appointed Executive General Manager, Infrastructure effective 1 December 2020.
(iii) Mr Etherington was appointed Interim Chief Financial Officer effective 2 March 2020.
(iv) Mr Merrick was appointed Executive General Manager, Commercial effective 28 September 2020.
(v) Mr Segal ceased as MD & CEO effective 2 March 2020.
(vi) Ms Warner resigned as Chief Commercial Officer effective 28 September 2020.
(vii) This is the average of those KMP eligible to receive an STI payment in each year.

4. Non-executive Director fees

4a. Our approach to Non-executive Director fees

Ampol's business and corporate operations are managed under the direction of the Board. The Board oversees the performance of Ampol's management in seeking to deliver superior business performance and long-term growth in shareholder value. The Board recognises that providing strong leadership and strategic guidance to management is important to achieve our goals and objectives.

Under the Ampol Constitution and the ASX Listing Rules, the total annual fee pool for NEDs is determined by shareholders. Within this aggregate amount, NED fees are reviewed by the Human Resources Committee, considering recommendations from an independent remuneration consultant, and set by the Board.

Fees for NEDs are set at a level to attract and retain directors with the necessary skills and experience to allow the Board to have a proper understanding of, and competence to deal with, current and emerging issues for Ampol's business. The Board seeks to attract directors with different skills, experience, expertise and diversity. Additionally, when setting NED fees, the Board considers factors such as external market data on fees and the size and complexity of Ampol's operations.

The NEDs' fees are fixed, and NEDs do not participate in any Ampol incentive plan.

4b. Board and committee fees for 2020

The current maximum annual fee pool for NEDs is $2.5 million, including statutory entitlements. This amount was approved by shareholders at the 2016 Annual General Meeting.

Table 11. 2020 Non-executive Director fees

The following table outlines the 2020 NED fees.

	Board		Committees[(i)]	
	Chairman	Member	Committee Chairman	Member
2020 fee[(ii)]	$502,207	$167,402	$46,000	$20,000

(i) Comprising the Audit Committee, Human Resources Committee, and Safety and Sustainability Committee. No fees are paid to the Chair or members of the Nomination Committee.
(ii) Ampol paid superannuation of 9.5% for Non-executive Directors in addition to the above fees in 2020.

Directors' Report continued

Remuneration Report continued

4. Non-executive Director fees continued

4c. Remuneration table

Table 12. Non-executive Director fees in 2020 (statutory disclosures)

The following table sets out the audited NED fees in 2019 and 2020, calculated in accordance with statutory accounting requirements and which reflect the actual remuneration received during the financial year. NED fees were reduced by 20% for a period of three months in 2020 to assist in the organisational response to COVID-19. NEDs are not eligible to receive any cash or equity-based incentives.

		Primary	Post-employment	Total
	Salary and fees	Non-monetary benefits	Superannuation(i)	
Current Non-executive Directors				
Steven Gregg (Chairman)				
2020	**477,097**	**-**	**45,324**	**522,421**
2019	502,207	921	47,710	550,838
Mark Chellew				
2020	**197,033**	**-**	**18,718**	**215,751**
2019	207,403	-	19,703	227,106
Melinda Conrad				
2020	**197,033**	**220**	**18,718**	**215,971**
2019	207,403	160	19,703	227,266
Michael Ihlein(ii)(iii)				
2020	**133,915**	**-**	**6,652**	**140,567**
2019	-	-	-	-
Gary Smith(iv)				
2020	**114,072**	**-**	**10,837**	**124,909**
2019	-	-	-	-
Barbara Ward AM				
2020	**221,733**	**406**	**21,065**	**243,204**
2019	233,403	221	22,173	255,797
Penny Winn				
2020	**221,733**	**-**	**21,065**	**242,798**
2019	233,403	-	22,173	255,576
Former Non-executive Directors				
Bruce Morgan(ii)(v)				
2020	**87,762**	**1,006**	**5,543**	**94,311**
2019	233,403	1,036	22,173	256,612

(i) Superannuation contributions are made on behalf of Non-executive Directors to satisfy Ampol's obligations under the Superannuation Guarantee legislation. Fees paid to Non-executive Directors may be subject to fee sacrifice arrangements for superannuation.
(ii) These Non-executive Directors were provided superannuation guarantee employer shortfall exemption from the Australian Tax Office and were provided employer superannuation contributions as a cash allowance for part of the year.
(iii) Mr Ihlein was appointed to the Board as an Independent, Non-executive Director effective 1 June 2020.
(iv) Mr Smith was appointed to the Board as an Independent, Non-executive Director effective 1 June 2020.
(v) Mr Morgan retired from the Board as an Independent, Non-executive Director effective 14 May 2020.

Remuneration Report continued

5. Shareholdings of Key Management Personnel

Table 13: Shareholdings of Key Management Personnel

The movement during the reporting period in the number of shares of Ampol Limited held directly or indirectly by each KMP, including their personally related entities, is in the following table.

	Held at 31 Dec 2019	Purchased	Vested	Sold	Held at 31 Dec 2020(i)
Current Directors					
Steven Gregg	6,000	-	-	-	6,000
Mark Chellew	1,400	-	-	-	1,400
Melinda Conrad	8,000	-	-	-	8,000
Michael Ihlein(ii)	-	-	-	-	-
Gary Smith(iii)	-	-	-	-	-
Barbara Ward AM	6,500	-	-	-	6,500
Penny Winn	5,911	-	-	-	5,911
Former Directors					
Bruce Morgan(iv)	10,500	-	-	-	10,500
Current Senior Executives					
Matthew Halliday	16,268	-	16,268	-	32,536
Andrew Brewer(v)	17,063	-	-	-	17,063
Jeff Etherington(vi)	3,967	-	745	-	4,712
Brent Merrick(vii)	874	-	-	-	874
Joanne Taylor	3,008	-	1,241	-	4,249
Former Senior Executives					
Julian Segal(viii)	351,274	-	-	-	351,274
Louise Warner(ix)	469	-	1,564	-	2,033

Directors' Report continued

Remuneration Report continued

5. Shareholdings of Key Management Personnel continued

Table 13: Shareholdings of Key Management Personnel continued

	Held at 31 Dec 2018	Purchased	Vested	Sold	Held at 31 Dec 2019(i)
Current Directors					
Steven Gregg	6,000	-	-	-	6,000
Mark Chellew	1,400	-	-	-	1,400
Melinda Conrad	8,000	-	-	-	8,000
Michael Ihlein(ii)	-	-	-	-	-
Gary Smith(iii)	-	-	-	-	-
Barbara Ward AM	6,500	-	-	-	6,500
Penny Winn	5,911	-	-	-	5,911
Former Directors					
Bruce Morgan(iv)	10,500	-	-	-	10,500
Current Senior Executives					
Matthew Halliday	-	-	16,268	-	16,268
Andrew Brewer(v)	-	-	-	-	-
Jeff Etherington(vi)	-	-	-	-	-
Brent Merrick(vii)	-	-	-	-	-
Joanne Taylor	-	-	3,008	-	3,008
Former Senior Executives					
Julian Segal(viii)	325,585	4,150	21,539	-	351,274
Louise Warner(ix)	469	-	-	-	469

(i) The shareholdings for any former Directors or former Senior Executives are as at the date they ceased employment or retired from their office.
(ii) Mr Ihlein was appointed to the Board as an Independent, Non-executive Director effective 1 June 2020.
(iii) Mr Smith was appointed to the Board as an Independent, Non-executive Director effective 1 June 2020.
(iv) Mr Morgan retired from the Board as an Independent, Non-executive Director effective 14 May 2020.
(v) Mr Brewer was appointed Executive General Manager, Infrastructure effective 1 December 2020.
(vi) Mr Etherington was appointed Interim Chief Financial Officer effective 2 March 2020.
(vii) Mr Merrick was appointed Executive General Manager, Commercial effective 28 September 2020.
(viii) Mr Segal ceased as MD & CEO effective 2 March 2020.
(ix) Ms Warner resigned as Chief Commercial Officer effective 28 September 2020.

6. Other Key Management Personnel transactions

Apart from as disclosed in the indemnity section of the Directors' Report, no KMP have entered into a material contract, loan or other transaction with any entity in the Ampol Group during the year ended 31 December 2020 (2019: nil).

Directors' Report continued

Directors' interests

The Directors' relevant interests in the shares of Ampol Limited at 31 December 2020 are set out in the following table.

Director	Shareholding	Nature of interest
Steven Gregg	6,000 shares	Indirect interest
Matthew Halliday	32,536 shares 105,109 performance rights	Direct interest (32,536 shares) Direct interest in 105,109 performance rights
Mark Chellew	1,400 shares	Indirect interest
Melinda Conrad	8,000 shares	Indirect interest
Michael Ihlein	0 shares	Not applicable
Gary Smith	0 shares	Not applicable
Barbara Ward AM	6,500 shares	Direct interest
Penny Winn	5,911 shares	Indirect interest
Former Directors[i]		
Bruce Morgan	10,500 shares	Indirect interest
Julian Segal	351,274 shares 267,412 performance rights	Direct Interest (296,367 shares) Indirect Interest (81,907 shares) Direct Interest in (267,412 performance rights)

(i) The shareholdings for any Former Directors are as at the date they ceased employment or retired from their office.

No other Director has acquired or disposed of any relevant interests in the Company's shares in the period from 1 January 2020 to the date of this Annual Report.

Directors' Report continued

Board and committee meetings

The Ampol Board met 38 times during the year ended 31 December 2020. In addition, Directors attended Board strategy sessions and workshops, site visits and special purpose committee meetings during the year.

The number of Board and committee meetings attended by each Director during 2020 are set out in the following table.

Director(i)	Board(ii)		Audit Committee		Human Resources Committee		Nomination Committee		Safety and Sustainability Committee	
Current Directors	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**
Steven Gregg	38	38	-	-	-	-	1	1	-	-
Matthew Halliday(iii)	15	15	-	-	-	-	-	-	-	-
Mark Chellew	38	38	-	-	3	3	1	1	4	4
Melinda Conrad	38	36	5	5	3	3	1	1	-	-
Michael Ihlein (iv)	17	17	4	4	-	-	-	-	2	2
Gary Smith(v)	17	17	-	-	2	2	-	-	2	2
Barbara Ward AM	38	38	5	5	3	3	1	1	-	-
Penny Winn	38	38	5	5	-	-	1	1	4	4
Former Directors										
Bruce Morgan(vi)	19	17	1	1	-	-	1	1	2	2
Julian Segal(vii)	6	6	-	-	-	-	-	-	-	-

(i) All Directors are invited to (and regularly attend) committee meetings; this table lists attendance only where a Director is a member of the relevant committee. A number of Directors also participated in Board Committees convened for special purposes.
(ii) Includes out of session meetings but excludes strategy workshops and briefings.
(iii) Mr Halliday attended all Board meetings from the time of appointment as MD & CEO from 29 June 2020.
(iv) Mr Ihlein was appointed to the Board as an Independent, Non-executive Director effective 1 June 2020.
(v) Mr Smith was appointed to the Board as an Independent, Non-executive Director effective 1 June 2020.
(vi) Mr Morgan retired from the Board as an Independent, Non-executive Director effective 14 May 2020.
(vii) Mr Segal ceased as MD & CEO effective 2 March 2020.

Directors' Report continued

Shares and interests

The total number of ordinary shares on issue at 31 December 2020 was 249,706,947 shares, prior to the completion of a 11,404,848 share buy back in 2021 (2019: 249,706,947 shares on issue). The total number of rights on issue at the date of this report is 1,385,590 (2019: 1,700,742). 426,101 rights were issued during 2020 (2019: 908,182). 757,022 rights vested or lapsed during the year (2019: 516,578), with an additional 2,026 rights lapsing in 2021 prior to the date of this report. On vesting, Ampol is required to allocate one ordinary share for each right. For each right that vests, Ampol intends to purchase a share on market.

Non-audit services

KPMG is the external auditor.

In 2020, KPMG performed non-audit services for Ampol in addition to its statutory audit and review engagements for the full year and half year.

KPMG received, or was due to receive, the following amounts for services performed for Ampol during the year ended 31 December 2020:

- for audit and review services – total fees of $1,666,800 (2019: $1,748,700);
- for assurance services – total fees of $41,600 (2019: $132,100); and
- for other services – total fees $574,000 (2019: $80,940).

Other services includes transaction services in respect of Ampol's disposal of a 49% interest in certain freehold convenience retail sites and remuneration benchmarking services.

The Board has received written advice from the Audit Committee in relation to the independence of KPMG, as external auditor, for 2020. The advice was made in accordance with a resolution of the Audit Committee.

The Directors are satisfied that:

- the provision of non-audit services to the Ampol Group during the year ended 31 December 2020 by KPMG is compatible with the general standard of independence for auditors imposed by the *Corporations Act;* and
- the provision of non-audit services during the year ended 31 December 2020 by KPMG did not compromise the auditor independence requirements of the *Corporations Act* for the following reasons:
  - The provision of non-audit services in 2020 was consistent with the Board's policy on the provision of services by the external auditor;
  - The non-audit services provided in 2020 are not considered to be in conflict with the role of external auditor and
  - The Directors are not aware of any matter relating to the provision of the non-audit services in 2020 that would impair the impartial and objective judgement of KPMG as external auditor.

Company Secretaries

The following person is the current Company Secretary of Ampol as at the date of this report:

Georgina Koch

Georgina Koch was appointed to this position in March 2020.

Georgina manages Ampol's legal, secretariat and compliance teams. As General Counsel, she is responsible for managing legal risk for Ampol and providing legal advice to Ampol's Board, CEO and broader leadership team.

Georgina, who joined Ampol in 2017, has over 20 years' experience in advising on commercial, competition and corporate legal issues. Prior to Ampol, she held senior roles at Commonwealth Bank and Clayton Utz.

Georgina holds a Bachelor of Economics, a Bachelor of Laws and a Masters in Labour Law and Relations from the University of Sydney.

Indemnity and insurance

Ampol has paid insurance premiums for Directors' and officers' liability for current and former Directors and officers of the Company, its subsidiaries and related entities.

The insurance policies prohibit disclosure of the nature of the liabilities insured against and the amount of the premiums.

The Constitution provides that each officer of the Company and, if the Board considers it appropriate, any officer of a subsidiary of the Company be identified out of the assets of the Company to the relevant extent against any liability incurred by the officer in or arising out of the conduct of the business of the Company or the subsidiary (as the case may be) or in or arising out of the discharge of the duties of the officer, unless incurred in circumstances that the Board resolves do not justify indemnification. Where the Board considers it appropriate, the Company may execute a documentary indemnity in any form in favour of any officer of the Company or a subsidiary of the Company, provided that such terms are not inconsistent with the Constitution. For more information, refer to the Constitution on the Ampol website.

Rounding of amounts

Ampol Limited is an entity to which Australian Securities and Investments Commission Corporations Instrument 2016/191 applies. Amounts in the 2020 Directors' Report and the 2020 Financial Report have been rounded off to the nearest hundred thousand dollars (unless otherwise stated) in accordance with that instrument.

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

Steven Gregg
Chairman

Matthew Halliday
Managing Director & Chief Executive Officer
Sydney, 22 February 2021

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 audit of Ampol Limited for the financial year ended 31 December 2020 there have been:

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

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

KPMG

KPMG

Julian McPherson
Partner

Sydney
22 February 2021

Directors' Declaration

In the opinion of the Directors of Ampol Limited (the Company):

a) the financial statements and notes that are contained in pages 58 to 111 and the Remuneration Report set out on pages 24 to 46 are in accordance with the *Corporations Act 2001* (Cth), including

   (i) giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the financial year ended on that date; and

   (ii) complying with Australian Accounting Standards, and the Corporations Regulations 2001;

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

c) at the date of this declaration, there are reasonable grounds to believe that the companies in the Ampol Group that are parties to the Deed of Cross Guarantee as identified in note F1 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 F1, and

d) a statement of compliance with International Financial Reporting Standards has been included in note A to the financial statements for the year ended 31 December 2020.

The Directors have been given the declarations required by section 295A of the *Corporations Act 2001* (Cth) from the Managing Director and CEO and the Chief Financial Officer for the financial year ended 31 December 2020.

Signed in accordance with a resolution of the Directors:

Steven Gregg
Chairman

Matthew Halliday
Managing Director & Chief Executive Officer
Sydney, 22 February 2021

Independent Auditor's Report

To the shareholders of Ampol Limited

Report on the audit of the Financial Report

Opinion

We have audited the ***Financial Report*** of Ampol Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group's*** financial position as at 31 December 2020 and of its financial performance for the year ended on that date; and
- complying with Australian Accounting Standards and the Corporations Regulations 2001.

The ***Financial Report*** comprises the:

- Consolidated balance sheet as at 31 December 2020
- Consolidated income statement, Consolidated statement of comprehensive income, Consolidated statement of changes in equity, and Consolidated cash flow statement for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The ***Group*** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.
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 are independent of the Group in accordance with 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 (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

The ***Key Audit Matters*** we identified are:

- Site remediation and dismantling provisions
- Taxation of Singaporean entities
- Impairment of non-current assets

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Site remediation and dismantling provisions (A$586.7m)

Refer to Note C6 to the Financial Report

The key audit matter	How the matter was addressed in our audit

The Group's determination of the site remediation and dismantling provisions is considered a key audit matter. This is due to the inherent complexity in estimating the amounts and timing of future remediation and dismantling costs, particularly those forecast to be incurred several years in the future.
 	
This is influenced by:
 	
▪ Current environmental, regulatory and contractual requirements, and the impact of the completeness of environmental remediation activities incorporated into the provision estimate;
 	
▪ The expected environmental management strategy, and the nature of costs incorporated into the provision estimate;
 	
▪ Third party expert advice obtained by management regarding their obligations and estimates of future costs;
 	
▪ Historical experience, and whether this is a reasonable predictor when evaluating forecast costs; and
 	
▪ The expected timing of the expenditure.
	Our procedures included:
	
	• Assessing the consistency of the basis for recognition and measurement of the provisions with environmental and regulatory requirements, contractual lease terms and the requirements of the accounting standards.
	
	• Reading the Group's board minutes, litigation register and correspondence with regulatory authorities to identify legal environmental obligations and checking these were appropriately considered in the determination of the provisions.
	
	• Recalculating the mathematical accuracy for a sample of the provision calculations.
	
	• Comparing the expected timing of remediation work against the Group's remediation plans or expected period of site operation which was determined with reference to the useful life of underlying site assets or site lease term.
	
	• Evaluating the completeness of the provisions by comparing the site listing for which a provision has been recognised to other internal and external records of Group sites.
	
	• Working with our environmental specialists, we:
	
	  ○ evaluated the scope, competence, experience and objectivity of the Group's internal and external experts; and
	
	  ○ corroborated a sample of estimates used in the provision calculations to underlying evidence such as third party support and actual expenditure incurred by the Group.
	
	• Performing sensitivity analysis over key estimates and assumptions, including discount rate and inflation rate by making changes that we consider reasonably possible to assess the impact on the provision determined by management.

<table>
<tr><th colspan="2">Taxation of Singaporean entities (A$178.9m)</th></tr>
<tr><td colspan="2">Refer to Note E1 to the Financial Report</td></tr>
<tr><th>The key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>The Group’s determination as to whether the earnings from its Singaporean entities are subject to income tax in Australia is a key audit matter. This is due to the judgement required in assessing the Group’s current estimate of taxation amounts, which required senior audit team member and tax specialist involvement. The critical elements of this were:

• The significant uncertainty surrounding the timing of resolution of the matter with the Australian Taxation Office (ATO) and the final tax rate that will be levied in respect of the Group’s Singaporean entities’ earnings; and

• The judgement in the Group’s current estimate of taxation by applying the Australian income tax rate of 30% to the Singaporean entities’ earnings, which may differ to the final tax that applies if the income is deemed to be non-assessable or only partially assessable in Australia.</td><td>Our procedures included:

• Working with our tax specialists to evaluate the estimate by:
    ○ reading documentation received from the ATO as well as documentation prepared by the Group’s internal and external advisors; and
    ○ updating our understanding of the issue, including the current status of discussions with the ATO, expected timing for resolution and the extent of any potential changes to the estimate.

• Evaluating the disclosures of the Group, in particular disclosure of potential adjustments to future period income tax expense, by comparing them to our understanding of the matter.</td></tr>
</table>

KPMG

<table>
<tr><th colspan="2">Impairment of non-current assets (A$371.6m)</th></tr>
<tr><td colspan="2">Refer to Note C4 to the Financial Report</td></tr>
<tr><td>The key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>Assessment of the recoverability of non-current assets associated with the Lytton refinery and Convenience Retail site CGUs was a key audit matter due to:

• the estimates and assumptions used in the cashflow projections, including the impact of COVID-19 on key assumptions, which form the basis of the recoverable amounts attributable to the CGUs require significant judgement; and

• the recognition of an impairment of $80m and $291.6m relating to the Lytton Refinery CGU and Convenience Retail site CGUs respectively.

We involved valuation specialists to supplement our senior audit team members in assessing this key audit matter.</td><td>Our procedures included:

• Considering the appropriateness of and assessing the integrity of the impairment modelling used, including the accuracy of the underlying calculations.

• Assessing the consistency of assumptions to the Group's plan and strategy, past performance of the CGUs and information on key industry metrics, including the impact of COVID-19 on these metrics.

• Considering the sensitivity of the models by varying key assumptions noted above. We did this to identify those assumptions at higher risk of bias or inconsistency in application to focus additional procedures, particularly in the context of the COVID-19 pandemic.

• Working with our valuation specialists, we independently developed a discount rate range using market data for comparable entities, adjusted by risk factors specific to the CGUs.

• Assessing the disclosures in the financial report using our understanding of the issues obtained from our testing and against the requirements of the accounting standards, including those made with respect to judgements and estimates.</td></tr>
</table>

KPMG

Other Information

Other Information is financial and non-financial information in Ampol Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we 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.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- 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 *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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_responsibilities/ar1.pdf. This description forms part of our Auditor's Report.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Ampol Limited for the year ended 31 December 2020, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in pages 24 to 46 of the Directors' report for the year ended 31 December 2020.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

KPMG

Julian McPherson
Partner

Sydney
22 February 2021

Financial Statements

Contents

Consolidated Income Statement

FOR THE YEAR ENDED 31 DECEMBER 2020

Millions of dollars	Note	2020	2019
Revenue	B1	**15,406.3**	22,307.1
Cost of goods sold – historical cost		**(14,200.5)**	(20,388.7)
Gross profit		**1,205.8**	1,918.4
Other income	B1	**28.0**	44.7
Other expense	B2	**(434.8)**	-
Net foreign exchange gain		**39.1**	3.7
Selling and distribution expenses		**(1,125.7)**	(1,122.2)
General and administration expenses		**(339.6)**	(207.3)
(Loss)/profit from operating activities		**(627.2)**	637.3
Finance costs		**(109.7)**	(121.0)
Finance income		**0.6**	1.2
Net finance costs	B2	**(109.1)**	(119.8)
Share of net profit of entities accounted for using the equity method	F3.2	**10.7**	4.2
(Loss)/profit before income tax expense		**(725.6)**	521.7
Income tax benefit/(expense)	E1	**245.8**	(137.9)
Net (loss)/profit		**(479.8)**	383.8
(Loss)/profit attributable to:			
Equity holders of the parent entity		**(484.9)**	382.8
Non-controlling interest	F6	**5.1**	1.0
Net (loss)/profit		**(479.8)**	383.8
Basic and diluted (loss)/earnings per share			
Historical cost – cents per share - basic	B4	**(194.2)**	151.3
Historical cost – cents per share - diluted	B4	**(194.2)**	151.1

The Consolidated Income Statement is to be read in conjunction with the notes to the Financial Statements.

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2020

Millions of dollars	Note	2020	2019
(Loss)/profit for the period		**(479.8)**	383.8
Other comprehensive income			
Items that will not be reclassified to income statement:			
Actuarial (loss)/gain on defined benefit plans		**(0.4)**	3.6
Tax on items that will not be reclassified to income statement	E2.2	**0.1**	(1.1)
Total items that will not be reclassified to income statement		**(0.3)**	2.5
Items that may be reclassified subsequently to income statement:			
Foreign operations – foreign currency translation differences		**(13.7)**	11.0
Net change in fair value of net investment hedges		**1.6**	(1.2)
Effective portion of changes in fair value of cash flow hedges		**24.0**	4.5
Net change in fair value of cash flow hedges reclassified to income statement		**(22.1)**	(10.5)
Tax on items that may be reclassified subsequently to income statement		**(2.0)**	2.1
Total items that may be reclassified subsequently to income statement		**(12.2)**	5.9
Other comprehensive (loss)/income for the period, net of income tax		**(12.5)**	8.4
Total comprehensive (loss)/income for the period		**(492.3)**	392.2
Attributable to:			
Equity holders of the parent entity		**(497.4)**	391.2
Non-controlling interest	F6	**5.1**	1.0
Total comprehensive (loss)/income for the period		**(492.3)**	392.2

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

Consolidated Balance Sheet

AS AT YEAR ENDED 31 DECEMBER 2020

Millions of dollars	Note	2020	2019(i)
Current assets			
Cash and cash equivalents		**367.6**	35.0
Receivables	C1	**859.8**	1,479.2
Inventories	C2	**1,333.6**	2,109.5
Other		**50.9**	34.2
Total current assets		**2,611.9**	3,657.9
Non-current assets			
Receivables	C1	**2.5**	8.7
Investments accounted for using the equity method	F3	**173.0**	154.9
Intangibles	C3	**558.4**	578.8
Property, plant and equipment	C4	**3,467.7**	3,702.5
Deferred tax assets	E2	**453.8**	172.2
Employee benefits		**2.9**	4.0
Other		**47.7**	68.1
Total non-current assets		**4,706.0**	4,689.2
Total assets		**7,317.9**	8,347.1
Current liabilities			
Payables	C5	**1,489.1**	2,732.6
Interest-bearing liabilities	D1	**160.2**	221.5
Current tax liabilities		**90.7**	118.8
Employee benefits		**65.1**	50.5
Provisions	C6	**178.7**	88.7
Total current liabilities		**1,983.8**	3,212.1
Non-current liabilities			
Payables	C5	**16.0**	21.3
Interest-bearing liabilities	D1	**1,555.5**	1,559.3
Deferred tax liabilities	E2	**9.7**	-
Employee benefits		**39.9**	40.5
Provisions	C6	**488.3**	243.4
Total non-current liabilities		**2,109.4**	1,864.5
Total liabilities		**4,093.2**	5,076.6
Net assets		**3,224.7**	3,270.5
Equity			
Issued capital	D6	**502.6**	502.6
Treasury stock		**(1.6)**	(2.0)
Reserves		**5.6**	19.4
Retained earnings		**2,444.5**	2,737.0
Total parent entity interest		**2,951.1**	3,257.0
Non-controlling interest	F6	**273.6**	13.5
Total equity		**3,224.7**	3,270.5

(i) Refer to note A4 for further information.

The Consolidated Balance Sheet is to be read in conjunction with the notes to the Financial Statements.

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 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 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 year									
(Loss)/profit for the year	**–**	**–**	**–**	**–**	**–**	**(484.9)**	**(484.9)**	**5.1**	**(479.8)**
Total other comprehensive (loss)/income	**–**	**–**	**(12.1)**	**(0.1)**	**–**	**(0.3)**	**(12.5)**	**–**	**(12.5)**
Total comprehensive (loss)/income for the year	**–**	**–**	**(12.1)**	**(0.1)**	**–**	**(485.2)**	**(497.4)**	**5.1**	**(492.3)**
Ampol Property Trust – Divestment of Minority Interest, net of tax	**–**	**–**	**–**	**–**	**–**	**382.5**	**382.5**	**256.2**	**638.7**
Ampol Property Trust – Distribution	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1.2)**	**(1.2)**
Own shares acquired net of tax	**–**	**(0.4)**	**–**	**–**	**0.1**	**–**	**(0.3)**	**–**	**(0.3)**
Shares vested to employees	**–**	**0.8**	**–**	**–**	**(0.3)**	**–**	**0.5**	**–**	**0.5**
Expense on equity settled transactions	**–**	**–**	**–**	**–**	**(1.4)**	**–**	**(1.4)**	**–**	**(1.4)**
Dividends to shareholders	**–**	**–**	**–**	**–**	**–**	**(189.8)**	**(189.8)**	**–**	**(189.8)**
Balance at 31 December 2020	**502.6**	**(1.6)**	**30.8**	**(5.1)**	**(20.1)**	**2,444.5**	**2,951.1**	**273.6**	**3,224.7**
Balance at 1 January 2019	524.9	(2.5)	33.1	(1.1)	(20.8)	2,828.6	3,362.2	13.1	3,375.3
Total comprehensive income for the year									
Profit for the year	–	–	–	–	–	382.8	382.8	1.0	383.8
Total other comprehensive income/(loss)	–	–	9.8	(3.9)	–	2.5	8.4	–	8.4
Total comprehensive income/(loss) for the year	–	–	9.8	(3.9)	–	385.3	391.2	1.0	392.2
Own shares acquired net of tax	–	(4.3)	–	–	1.3	–	(3.0)	–	(3.0)
Shares vested to employees	–	4.8	–	–	(4.8)	–	–	–	–
Expense on equity settled transactions	–	–	–	–	5.8	–	5.8	–	5.8
Shares bought back[(i)]	(22.3)	–	–	–	–	(237.9)	(260.2)	–	(260.2)
Dividends to shareholders	–	–	–	–	–	(239.0)	(239.0)	(0.6)	(239.6)
Balance at 31 December 2019	502.6	(2.0)	42.9	(5.0)	(18.5)	2,737.0	3,257.0	13.5	3,270.5

(i) 11,103,572 shares were bought back during the year ended 31 December 2019.

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 YEAR ENDED 31 DECEMBER 2020

Millions of dollars	Note	2020	2019
Cash flows from operating activities			
Receipts from customers		**23,267.0**	30,419.3
Payments to suppliers, employees and governments		**(22,845.0)**	(29,385.6)
Shares acquired for vesting employee benefits		**(0.4)**	(4.3)
Dividends and distributions received		**1.8**	0.5
Interest received		**0.3**	1.3
Interest and other finance costs paid		**(100.9)**	(113.1)
Income taxes paid		**(55.2)**	(73.8)
Net operating cash inflows	G5.2	**267.6**	844.3
Cash flows from investing activities			
Net proceeds from sale of investment in joint operations	F4	**24.8**	-
Proceeds from sale of non-controlling interest in Ampol Property Trust		**682.0**	-
Transaction costs from sale of non-controlling interest in Ampol Property Trust		**(26.8)**	-
Purchases of property, plant and equipment		**(140.3)**	(184.3)
Major cyclical maintenance		**(64.4)**	(48.0)
Purchases of intangibles		**(21.9)**	(48.4)
Proceeds from sale of property, plant and equipment, net of selling costs		**9.2**	141.7
Net investing cash inflows/(outflows)		**462.6**	(139.0)
Cash flows from financing activities			
Proceeds from borrowings		**9,675.9**	10,486.4
Repayments of borrowings		**(9,769.0)**	(10,556.1)
Repayment of lease principal		**(107.7)**	(109.5)
Payments for shares bought back		**-**	(260.2)
Distributions/dividends received/(paid) to non-controlling interest	F6	**(1.2)**	(0.6)
Dividends paid	B5	**(189.8)**	(239.0)
Net financing cash outflows		**(391.8)**	(679.0)
Net increase in cash and cash equivalents		**338.4**	26.3
Effect of exchange rate changes on cash and cash equivalents		**(5.8)**	2.6
Increase in cash and cash equivalents		**332.6**	28.9
Cash and cash equivalents at the beginning of the period		**35.0**	6.1
Cash and cash equivalents at the end of the period	G5.1	**367.6**	35.0

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 YEAR ENDED 31 DECEMBER 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 year ended 31 December 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 consolidated financial statements were approved by the Ampol Board on 22 February 2021.

The financial report has been prepared as a general-purpose financial report and complies with the requirements of the *Corporations Act 2001* (Cth) (Corporations Act) and Australian Accounting Standards (AASBs). The consolidated financial report also complies with International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board (IASB).

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 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 which presented to the nearest thousand. Comparative figures have been updated accordingly, to comply with the current period presentation.

The Group has adopted all the mandatory amended Accounting Standards issued that are relevant to its operations and effective for the current reporting period. A number of new standards, amendments to standards and interpretations effective for annual periods beginning on or after 1 January 2021 have not been applied in preparing these Consolidated Financial Statements. Refer to note G8.

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. 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. Actual results may differ from these estimates. These accounting policies have been consistently applied by each entity in the Group, except as noted in section A4.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and future periods if the revision affects both current and future periods.

Judgements made by management in the application of AASBs that have a significant effect on the Consolidated Financial Report and estimates with a significant risk of material adjustment in future financial years are found in the following notes:

- Information about the assumptions and the risk factors relating to impairment is provided in notes C1 (Receivables), C3 (Intangibles) and C4 (Property, Plant and Equipment).
- Note C4 (Property, Plant and Equipment) includes disclosure of the key assumptions and sources of estimates related to lease liabilities.
- Note C6 provides key sources of estimation, uncertainty and assumptions used in regard to estimation of provisions.
- Note D1 provides consideration to the appropriateness of adopting the going concern basis in preparing the financial report, including the impacts of COVID-19 pandemic.
- Note D2 provides an explanation of the foreign exchange, interest rate, credit risk and commodity price exposures of the Group and the risk in relation to foreign exchange, interest rate, credit risk and commodity price movements.
- Note E1 provides information around the extent to which earnings from the Group's Singaporean entities may be subject to income tax in Australia.

Notes to the Financial Statements
A Overview continued
FOR THE YEAR ENDED 31 DECEMBER 2020

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	2020	2019
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 year

FOR THE YEAR ENDED 31 DECEMBER 2020

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

B1 Revenue and other income

Revenue

Sale of goods

Revenue from the sale of goods in the ordinary course of activities is measured at the fair value of consideration received or receivable, net of product duties and taxes, rebates, discounts and allowances.

Gross sales revenue excludes amounts collected on behalf of third parties such as goods and services tax (GST). Sales revenue is recognised when customers gain control, which is the date products are delivered to the customer.

Contracts entered into by the Group for the sale of petroleum are typically priced by reference to quoted prices. In line with market practice, certain of these contracts are based on average prices over a period that is partially or entirely after delivery. Revenue relating to such contracts is recognised initially based on the estimated forward price at the time of delivery and subsequently adjusted as prices are finalised. Whilst these post-delivery adjustments are changed in the value of receivables, the distinction between revenue recognised at the time of delivery and revenue recognised as a result of post-delivery changes in quoted commodity prices relating to the same transaction is not considered to be significant. All revenue from these contracts, both that recognised at the time of delivery and that from post-delivery price adjustments, is disclosed as revenue from sale of goods.

For contracts with variable considerations (i.e. changes in market price, quality and quantity variances), revenue is recognised to the extent that it is highly probable that a reversal of previously recognised revenue will not occur.

Contract assets

On 5 July 2018, Ampol Limited entered into a new supply agreement for 15 years with a one-off upfront payment of $50.0 million. This amount has been deferred and recognised against sale of goods over the life of the agreement. The closing balance as at 31 December 2020 in relation to this contract asset is $41.9 million (2019: $45.0 million).

Other revenue

Rental income from leased sites is recognised in the Consolidated Income Statement on a straight-line basis over the term of the lease. Franchise fee income is deferred and recognised in accordance with the substance of the agreement. Royalties are recognised in line with franchise agreements. Transaction and merchant fees are generated from AmpolCard and credit card transactions processed across the network. Dividend income is recognised at the date the right to receive payment is established.

Other income

Net gain on disposal of property, plant and equipment and sale of investment in joint operations

The gain on disposal of property, plant and equipment and sale of investment in joint operations is brought to account at the time that:

- the costs incurred, or to be incurred, in respect of the sale can be measured reliably; and
- the control of ownership of the property, plant and equipment and sale of investment in joint operations has been transferred to the buyer.

Assets that are held for sale are carried at the lower of the net book value and fair value less cost to sell.

Millions of dollars	2020	2019
Revenue		
Sale of goods	**15,175.6**	22,059.9
Other revenue		
Rental income	**22.0**	29.9
Royalties and franchise income	**52.5**	65.6
Transaction and merchant fees	**123.6**	104.0
Other	**32.6**	47.7
Total other revenue	**230.7**	247.2
Total revenue	**15,406.3**	22,307.1
Other income		
Government assistance[(i)]	**6.8**	-
Net gain on sale of property, plant and equipment	**-**	44.7
Net gain on sale of investment in joint operations	**21.2**	-
Total other income	**28.0**	44.7

(i) Other income includes assistance from governments for wage support of $6.8 million received from Australia, New Zealand and Singapore government programs.

Notes to the Financial Statements
B Results for the year continued

FOR THE YEAR ENDED 31 DECEMBER 2020

B2 Costs and expenses

Finance costs are recognised as incurred unless they relate to qualifying assets. Qualifying assets are assets which take more than 12 months to get ready for their intended use or sale. In these circumstances, finance costs are capitalised to the cost of the assets. Where borrowings are not specific to an asset, finance costs are capitalised using an average rate based on the general borrowings of the Group.

Millions of dollars	Note	2020	2019
Finance costs			
Interest expense		**43.4**	53.7
Finance charges on leases		**57.2**	58.6
Unwinding of discount on provisions		**9.4**	8.8
Less: capitalised finance costs		**(0.3)**	(0.1)
Finance costs		**109.7**	121.0
Finance income		**(0.6)**	(1.2)
Net finance costs		**109.1**	119.8
Depreciation and amortisation			
Depreciation of:			
Buildings	C4	**18.2**	16.0
Leasehold property	C4	**148.1**	133.6
Plant and equipment	C4	**228.0**	210.6
		394.3	360.2
Amortisation of:			
Intangibles	C3	**27.9**	27.1
Total depreciation and amortisation		**422.2**	387.3
Personnel expenses		**578.4**	527.1
Other expenses			
Net loss on disposal of property, plant and equipment		**21.4**	-
Impairment of non-current assets	C3,C4	**413.4**	-
Total other expenses		**434.8**	-

Notes to the Financial Statements
B Results for the year continued

FOR THE YEAR ENDED 31 DECEMBER 2020

B3 Segment reporting

B3.1 Segment disclosures

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group’s other components. All operating segments’ operating results are regularly reviewed by the Group’s chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance. These segments align to the areas of the business for which discrete financial information is available. Segment results that are reported to the chief operating decision maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Inter-entity sales are recognised based on an internally set transfer price. Sales between segments are based on arm’s length principles appropriate to reflect prevailing market pricing structures at that time. Where possible, relevant import parity pricing is used to determine arm’s length pricing between the two segments. Revenue from external parties reported to the chief operating decision maker is measured in a manner consistent with that in the Consolidated Income Statement.

Income taxes and net financial costs are dealt with at a Group level and not within the reportable segments.

The performance of each reportable segment is measured based on segment replacement cost of sales operating profit before interest and income tax excluding significant items. This measurement base excludes the impact of the rise or fall in oil or product prices (key external factors) and presents a clearer picture of the reportable segments' underlying business performance. Segment replacement cost of sales operating profit before interest and income tax excluding significant items is measured as management believes that such information is most useful in evaluating the performance of the differing internal business units relative to each other, and other like business units in the industry. Segment replacement cost of sales operating profit excluding significant items, interest and income tax is also used to assess the performance of each business unit against internal performance measures.

Cost of goods sold measured on a replacement cost basis

Cost of goods sold measured on a replacement cost basis excludes the effect of inventory gains and losses, including the impact of exchange rate movements. Inventory gains or losses arise due to movements in the landed price of crude oil and product prices and represent the difference between the actual historic cost of sales and the current replacement value of that inventory.

The net inventory gain or loss is adjusted to reflect the impact of contractual revenue lags.

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 and 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.

Transfer price between segments

The Group operates as a vertically integrated supply chain including trading and shipping, infrastructure, refining and marketing of fuel products in Australia and internationally to customers, including retail service stations. Segment results are based on commercial pricing between segments, most notably Fuels and Infrastructure and Convenience Retail, that is determined by a reference to relevant import parity prices for refining output and other commercial arrangements between the business segments.

Notes to the Financial Statements
B Results for the year continued

FOR THE YEAR ENDED 31 DECEMBER 2020

B3 Segment reporting continued

B3.2 Information about reportable segments

	Convenience Retail		Fuels and Infrastructure		Total operating segments	
Millions of dollars	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
External segment revenue	**4,067.4**	5,201.1	**11,338.9**	17,106.0	**15,406.3**	22,307.1
Inter-segment revenue	**-**	-	**2,176.1**	3,611.0	**2,176.1**	3,611.0
Total segment revenue	**4,067.4**	5,201.1	**13,515.0**	20,717.0	**17,582.4**	25,918.1
Share of profit of associates and joint ventures	**-**	-	**10.7**	4.2	**10.7**	4.2
Depreciation and amortisation	**(210.2)**	(194.3)	**(183.4)**	(177.0)	**(393.6)**	(371.3)
Replacement Cost of sales Operating Profit (RCOP) before interest and income tax[(i)]	**287.4**	201.0	**154.4**	450.2	**441.8**	651.2
Other material items:						
Inventory loss	**-**	-	**(513.8)**	(19.3)	**(513.8)**	(19.3)
Capital expenditure[(ii)]	**(62.1)**	(100.7)	**(135.1)**	(155.2)	**(197.2)**	(255.9)

(i) Replacement Cost of sales Operating Profit (RCOP) (on a pre- 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.

(ii) Capital expenditure includes the purchase of Property, Plant and Equipment (including acquisitions) and purchase of intangible software (excludes intangible rights and licences).

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

Millions of dollars	**2020**	**2019**
Revenues		
Total revenue for reportable segments	**17,582.4**	25,918.1
Elimination of inter-segment revenue	**(2,176.1)**	(3,611.0)
Consolidated revenue	**15,406.3**	22,307.1
Profit or loss		
Segment RCOP before interest and income tax, excluding significant items	**441.8**	651.2
Other expenses	**(40.6)**	(43.1)
RCOP before interest and income tax, excluding significant items	**401.2**	608.1
Significant items excluded from profit or loss reported to the chief operating decision maker:		
Impairment of non-current assets	**(413.4)**	-
Ampol rebranding expense	**(65.6)**	-
Higher and Better Use sites	**(16.9)**	52.7
Gain on sale of investment in joint operation	**21.2**	-
Other expenses	**(36.0)**	-
Other income	**6.8**	-
Significant items before tax	**(503.9)**	52.7
RCOP before interest and income tax	**(102.7)**	660.8
Inventory loss before tax	**(513.8)**	(19.3)
Consolidated historical cost (loss)/profit before interest and income tax	**(616.5)**	641.5

Notes to the Financial Statements
B Results for the year continued

FOR THE YEAR ENDED 31 DECEMBER 2020

B3 Segment reporting continued

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

Millions of dollars	2020	2019
Net financing costs	**(109.1)**	(119.8)
Consolidated (loss)/profit before income tax	**(725.6)**	521.7
RCOP income tax expense	**(75.2)**	(143.5)
Significant items tax benefit/(expense)	**166.9**	(0.2)
Inventory loss tax benefit	**154.1**	5.8
Consolidated historical cost income tax benefit/(expense)	**245.8**	(137.9)
Net (loss)/profit	**(479.8)**	383.8

Significant Items

Impairment of non-current assets

The Group has recognised a total impairment loss of $413.4 million on non-current assets. These impairments relate to the Lytton refinery cash-generating unit (CGU) of $80.0 million at 30 June 2020, Convenience Retail site CGU of $233.0 million at 30 June 2020 and a further $58.6 million at 31 December 2020 and other specific assets of $41.8 million. This impairment loss has been disclosed in other expenses in the Consolidated Income Statement. Refer to note C3 and note C4 for further information.

Ampol rebranding expense

The Group has recognised an expense of $65.6 million in respect to rebranding due to its contractual obligation to remove Caltex signage and install Ampol branding at sites owned by a third party ($46.0 million), accelerated depreciation ($10.8 million) and other operating expenses ($8.8 million). This expense is included within general and administration expenses for $54.8 million and selling and distribution for $10.8 million in the Consolidated Income Statement.

Higher and Better Use sites

In 2019, the Group recognised a net gain of $52.7 million on sale from the divestment of the 25 Higher and Better Use (HBU) sites after environmental remediation. The environmental remediation activity commenced in 2020 and a reassessment of the remediation provision was undertaken as at 31 December 2020. This resulted in recognition of an additional provision of $16.9 million. This expense has been disclosed in other expenses in the Consolidated Income Statement.

Gain on sale of investment in joint operation

On 1 October 2020, the Group sold its investment in the Sydney Joint User Hydrant Installations (JUHI) for proceeds of $24.8 million and a net accounting gain of $21.2 million. The net gain is included within other income in the Consolidated Income Statement. Refer to note F4 for further information.

Other expenses

Site remediation provision

The impairment of the non-current other specific assets discussed in note C4, includes the impact of the divestment of 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.

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 Income

Assistance from government

Other income includes assistance from governments for wage support of $6.8 million received from Australia, New Zealand and Singapore government programs. This income is included within other income in the Consolidated Income Statement.

Significant items tax benefit

Significant items tax benefit of $151.2 million represents tax at the Australian corporate tax rate of 30% on Significant items before tax (2019 expense: $0.2 million) and utilisation of previously unrecognised capital losses (tax benefit of $15.7 million) which has been applied to a capital gain on the sale of the 49% interest in 203 freehold Convenience Retail sites with a Charter Hall and GIC consortium.

Notes to the Financial Statements
B Results for the year continued

FOR THE YEAR ENDED 31 DECEMBER 2020

B3 Segment reporting continued

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

Other material items

Millions of dollars	Reportable segment totals	Other	Consolidated totals
Other material items 2020			
Depreciation and amortisation	**(393.6)**	**(28.7)**	**(422.3)**
Inventory loss	**(513.8)**	**-**	**(513.8)**
Capital expenditure	**(197.2)**	**(29.4)**	**(226.6)**
Other material items 2019			
Depreciation and amortisation	(371.3)	(16.1)	(387.4)
Inventory loss	(19.3)	-	(19.3)
Capital expenditure	(255.9)	(14.3)	(270.2)

B3.4 Geographical segments

The Group operates in Australia, New Zealand, United States and Singapore. External revenue is predominantly generated in Australia. The Group generated the following revenue and holds the following non-current assets across the geographical segments.

Millions of dollars	Australia	New Zealand	Singapore	US	Total
2020					
Revenue	**12,016.7**	**572.2**	**2,793.2**	**24.2**	**15,406.3**
Non-current assets	**4,267.8**	**414.7**	**22.7**	**0.8**	**4,706.0**

Millions of dollars	Australia	New Zealand	Singapore	US	Total
2019					
Revenue	18,933.2	623.2	2,750.7	-	22,307.1
Non-current assets	4,270.2	397.9	21.1	-	4,689.2

B3.5 Major customer

Revenues from one customer of the Group's Fuels and Infrastructure segment represent approximately $2.6 billion (2019: $4.3 billion) of the Group's total gross sales revenue (excluding product duties and taxes).

B3.6 Revenue from products and services

Millions of dollars	2020	2019
Petrol	**4,559.0**	7,226.3
Diesel	**7,397.6**	10,246.1
Jet	**860.6**	2,688.8
Lubricants	**201.4**	229.2
Specialty and other products	**155.5**	221.7
Crude	**903.0**	563.0
Non-fuel income	**1,098.5**	884.8
Other revenue	**230.7**	247.2
Total product and service revenue	**15,406.3**	22,307.1

Notes to the Financial Statements
B Results for the year continued

FOR THE YEAR ENDED 31 DECEMBER 2020

B4 Earnings per share

Cents per share	2020	2019
Historical cost net (loss)/profit attributable to ordinary shareholders – basic	**(194.2)**	151.3
Historical cost net (loss)/profit attributable to ordinary shareholders – diluted	**(194.2)**	151.1
RCOP after tax and excluding significant items – basic	**84.8**	135.9
RCOP after tax and excluding significant items – diluted	**84.8**	135.7

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 year ended 31 December 2020.

Diluted historical cost earnings per share is calculated as the profit 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. When the Company has made a loss, basic and diluted earnings per share are calculated using the same weighted average number of ordinary shares and exclude all outstanding rights and restricted shares on issue as to include them in the calculation of diluted earnings per share would result in a lower loss per share.

Earnings per share has been disclosed for both the historical cost net loss as well as the RCOP segment method of reporting net profit. The 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	2020	2019
Net (loss)/profit after tax attributable to equity holders of the parent entity	**(484.9)**	382.8
Add/Less: Significant items loss/(gains) after tax	**337.0**	(52.5)
Add/Less: Inventory losses after tax	**359.7**	13.5
RCOP excluding significant items after tax	**211.8**	343.8

Weighted average number of shares (millions)	2020	2019
Issued shares as at 1 January	**249.7**	260.8
Shares bought back and cancelled	**-**	(11.1)
Issued shares as at 31 December	**249.7**	249.7
Weighted average number of shares as at 31 December - basic	**249.7**	253.0
Weighted average number of shares as at 31 December - diluted	**249.7**	253.4

Notes to the Financial Statements
B Results for the year continued

FOR THE YEAR ENDED 31 DECEMBER 2020

B5 Dividends

A provision for dividends payable is recognised in the reporting period in which the dividends are declared, for the entire undistributed amount.

B5.1 Dividends declared or paid

Dividends recognised in the current year by the Group are:

Millions of dollars	Date of payment	Franked/ unfranked	Cents per share	Total amount
2020				
Interim 2020	2 October 2020	Franked	25	62.4
Final 2019	3 April 2020	Franked	51	127.4
Total amount			76	189.8
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 31 December 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 2020.

Final 2020[(i)]	**1 April 2021**	**Franked**	**23**	**54.8**

(i) The final dividend was calculated based on the ordinary shares on issue post the Off-market Buy-back of 238.3 million (a reduction of 11.4 million) which closed on 22 January 2021.

B5.2 Dividend franking account

Millions of dollars	2020	2019
30% franking credits available to shareholders of Ampol Limited for subsequent financial years	**777.1**	825.5

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends.

The impact on the dividend franking account of dividends proposed after the balance sheet date but not recognised as a liability, is to reduce the balance by $23.5 million (2019: $54.6 million).

Notes to the Financial Statements
C Operating assets and liabilities

FOR THE YEAR ENDED 31 DECEMBER 2020

This section provides information on the assets used to generate the Group's trading performance and the liabilities incurred as a result.

C1 Receivables

The following balances are amounts due from the Group's customers and others.

Millions of dollars	2020	2019
Current		
Trade debtors	**493.1**	821.1
Accrued receivables	**98.4**	433.2
Allowance for impairment	**(8.6)**	(6.4)
Associated and joint venture entities	**44.1**	33.4
Derivative assets	**22.0**	11.0
Other debtors	**210.8**	186.9
Total current receivables	**859.8**	1,479.2
Non-current		
Other loans	**2.5**	8.7

Receivables are initially recognised at fair value plus any directly attributable transaction costs and subsequently measured at amortised cost less impairment losses.

Impairment testing is performed at reporting date. A provision for impairment losses is raised based on a risk matrix for expected credit losses across customer categories.

Impaired receivables

As at 31 December 2020, current trade receivables of the Group with a nominal value of $8.6 million (2019: $6.4 million) were provided for as impaired based on the expected credit loss model. No collateral is held over these impaired receivables.

As at 31 December 2020, trade receivables of $11.5 million (2019: $37.1 million) were overdue. The ageing analysis of receivables is as follows:

Millions of dollars	2020	2019
Past due 0 to 30 days	**11.5**	26.7
Past due 31 to 60 days	**-**	4.7
Past due greater than 60 days	**-**	5.7
Total impaired receivables	**11.5**	37.1

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

Millions of dollars	2020	2019
At 1 January	**6.3**	7.0
Provision for impairment recognised during the year	**4.7**	3.6
Receivables written off during the year as uncollectible	**(2.4)**	(4.2)
Balance at 31 December	**8.6**	6.4

The creation and release of the provision for impaired receivables has been included in general and administration expenses in the Income Statement. Amounts charged to the allowance account are written off when there is no expectation of recovering additional cash. The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due.

Notes to the Financial Statements
C Operating assets and liabilities continued

FOR THE YEAR ENDED 31 DECEMBER 2020

C2 Inventories

Millions of dollars	2020	2019
Crude oil and raw materials	**389.8**	409.9
Inventory in process	**50.8**	72.4
Finished goods	**869.9**	1,605.4
Materials and supplies	**23.1**	21.8
Balance at 31 December	**1,333.6**	2,109.5

Inventories are measured at the lower of cost and net realisable value. Cost is based on the first in first out (FIFO) principle and includes direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure incurred in acquiring the inventories and bringing them into their existing location and condition.

The amount of any write-down or loss of inventory is recognised as an expense in the period it is incurred. Inventory write-downs may be reversed when net realisable value increases subsequent to initial write-down. The reversal is limited to the original write-down amount. There was no inventory written down to net realisable value at 31 December 2020 and 31 December 2019.

C3 Intangibles

Millions of dollars	Goodwill	Rights and licences	Software	Total
Cost				
At 1 January 2020	**430.7**	**87.5**	**254.9**	**773.1**
Additions and transfers	**-**	**16.0**	**22.6**	**38.6**
Disposals	**-**	**(5.1)**	**-**	**(5.1)**
Foreign currency translation	**(5.5)**	**(1.0)**	**-**	**(6.5)**
Balance at 31 December 2020	**425.2**	**97.4**	**277.5**	**800.1**
Cost				
At 1 January 2019	426.9	77.1	217.7	721.7
Additions and transfers	-	10.4	38.0	48.4
Disposals	(3.7)	-	(0.9)	(4.6)
Foreign currency translation	1.9	-	0.1	2.0
Change in accounting policy(i)	5.6	-	-	5.6
Balance at 31 December 2019	430.7	87.5	254.9	773.1
Amortisation and impairment				
At 1 January 2020	**(19.5)**	**(40.4)**	**(134.4)**	**(194.3)**
Amortisation for the year	**-**	**(7.7)**	**(20.2)**	**(27.9)**
Impairment losses(ii)	**-**	**-**	**(20.1)**	**(20.1)**
Disposals	**-**	**-**	**-**	**-**
Foreign currency translation	**-**	**0.1**	**0.5**	**0.6**
Balance at 31 December 2020	**(19.5)**	**(48.0)**	**(174.2)**	**(241.7)**
Amortisation and impairment				
At 1 January 2019	(19.5)	(36.6)	(111.4)	(167.5)
Amortisation for the year	-	(3.8)	(23.3)	(27.1)
Disposal	-	-	0.3	0.3
Balance at 31 December 2019	(19.5)	(40.4)	(134.4)	(194.3)

(i) Refer to note A4 for further information.

(ii) Refer to note C4 (Impairment - Other specific assets) for further information.

Notes to the Financial Statements
C Operating assets and liabilities continued

FOR THE YEAR ENDED 31 DECEMBER 2020

C3 Intangibles continued

Millions of dollars	Goodwill	Rights and licences	Software	Total
Carrying amount				
At 1 January 2020	**411.2**	**47.1**	**120.5**	**578.8**
Balance at 31 December 2020	**405.7**	**49.4**	**103.3**	**558.4**
Carrying amount				
At 1 January 2019	407.4	40.5	106.3	554.2
Balance at 31 December 2019	411.2	47.1	120.5	578.8

The amortisation charge of $27.9 million (2019: $27.1 million) is recognised in selling and distribution expenses and general and administration expenses in the Income Statement.

Goodwill

Goodwill arising on the acquisition of subsidiaries is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment. In respect of equity-accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment in the associate.

Other intangible assets

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses.

Amortisation

Amortisation is charged to the Consolidated Income Statement on a straight-line basis over the estimated useful lives of intangible assets. Other intangible assets are amortised from the date they are available for use. The estimated useful lives in the current and comparative periods are reflected by the following amortisation percentages:

Software development	7 to 17%
Software not integrated with hardware	7 to 18%
Rights and licences	4 to 33%

Impairment

The carrying amounts of intangible assets are reviewed to determine if there is any indication of impairment. If any such indication exists, the cash-generating unit's recoverable amounts are estimated and, if required, an impairment is recognised in the Income Statement. There was impairment loss of $20.1 million recognised in the Income Statement in 2020 for software as detailed in note C4 Impairment other specific assets.

Carrying value assessment of cash-generating unit groups containing goodwill and indefinite life intangibles

The Group tests the carrying amount of intangible 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 CGUs as follows:

Total goodwill and indefinite life intangibles

Millions of dollars	Gull New Zealand	Fuels and Infrastructure other	Convenience Retail	Total
Goodwill	**224.3**	**68.2**	**113.2**	**405.7**
Indefinite life intangibles	**20.1**	**1.1**	**-**	**21.2**
Balance at 31 December 2020	**244.4**	**69.3**	**113.2**	**426.9**

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 year ended 31 December 2020 (2019: nil).

Notes to the Financial Statements
C Operating assets and liabilities continued

FOR THE YEAR ENDED 31 DECEMBER 2020

C3 Intangibles continued

Carrying value assessment of cash-generating unit groups containing goodwill and indefinite life intangibles continued

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 best estimate of cash flows covering a five-year plan period from 2021 to 2025. Cash flows beyond the period in 2025 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 7.08% to 11.82% and pre-tax discount rates of 10.19% to 16.00% 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 44% for each year modelled Post-tax discount rate increases from 8.3% to 13.0%
Fuels and Infrastructure other	Cash contributions reduce by 38% for each year modelled Post-tax discount rate increases from 8.5% to 12.1%
Convenience Retail	Cash contributions reduce by 25% for each year modelled Post-tax discount rate increases from 7.1% to 8.9%

Notes to the Financial Statements
C Operating assets and liabilities continued

FOR THE YEAR ENDED 31 DECEMBER 2020

C4 Property, plant and equipment

Millions of dollars	2020	2019
Freehold land		
At cost	**455.5**	458.8
Accumulated impairment losses	**(70.1)**	(37.3)
Net carrying amount	**385.4**	421.5
Buildings		
At cost	**764.9**	780.7
Accumulated depreciation and impairment losses	**(326.6)**	(287.9)
Net carrying amount	**438.3**	492.8
Leasehold property		
At cost	**1,331.7**	1,223.8
Accumulated depreciation and impairment losses	**(379.7)**	(250.3)
Net carrying amount	**952.0**	973.5
Plant and equipment		
At cost	**6,091.6**	5,942.2
Accumulated depreciation and impairment losses	**(4,636.9)**	(4,403.0)
Net carrying amount	**1,454.7**	1,539.2
Capital projects in progress		
At cost	**237.3**	275.5
Net carrying amount	**237.3**	275.5
Total net carrying amount	**3,467.7**	3,702.5

Owned assets

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads.

The cost of property, plant and equipment includes the cost of decommissioning and restoration at the end of their economic lives if a present legal or constructive obligation exists. More details of how this cost is estimated and recognised is contained in note C6.

Subsequent expenditure

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including cyclical maintenance, is capitalised. Other subsequent expenditure is capitalised only when it is probable that the future economic benefits embodied within the item will flow to the Group and the cost of the item can be reliably measured. All other expenditure is recognised in the Consolidated Income Statement as an expense as incurred.

Major cyclical maintenance

Major cyclical maintenance expenditure is separately capitalised as an asset component to the extent that it is probable that future economic benefits, in excess of the originally assessed standard of performance, will eventuate. All other such costs are expensed as incurred. Capitalised cyclical maintenance expenditure is depreciated over the lesser of the additional useful life of the asset or the period until the next major cyclical maintenance is scheduled to occur.

Depreciation

Items of property, plant and equipment, including buildings and leasehold property but excluding freehold land, are depreciated using the straight-line method over their expected useful lives. Leasehold improvements are amortised over the shorter of the lease term or useful life.

Notes to the Financial Statements
C Operating assets and liabilities continued

FOR THE YEAR ENDED 31 DECEMBER 2020

C4 Property, plant and equipment continued

The depreciation rates used in the current and prior year for each class of asset are as follows:

Freehold buildings	2%
Leasehold property	2% to 10%
Plant and equipment	3% to 25%
Leased plant and equipment	3% to 25%

Assets are depreciated from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and held ready for use.

Impairment of non-current assets

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 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 cash-generating unit

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 near historic low levels and hydrocarbon demand weakness globally and in Australia, the Group has assessed the recoverable amount of its Lytton refinery CGU.

30 June 2020

The Group determined the recoverable amount of its Refinery assets with the assessment determining that the carrying value of the refinery was $80 million in excess of its recoverable amount at 30 June 2020. An impairment loss of $80.0 million was recognised with respect to plant and equipment at 30 June 2020. The loss has been recognised in other expenses in the Consolidated Income Statement.

31 December 2020

The Group re-assessed the recoverable amount of its Refinery assets as at 31 December 2020 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 8.07% post-tax (pre-tax of 16.00%). Based on this assessment it was determined the carrying value of the refinery (post the 30 June 2020 impairment loss) was supported by the recoverable amount.

Determining recoverable amount requires the exercise of significant judgement for both internal and external factors. This includes but is 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.

On 8 October 2020, the Group announced it is undertaking a comprehensive review of the Lytton refinery to determine the best operating model over the medium-term. The review is considering all options for the facility's operations and for the connected supply chains and markets it serves and will be completed in the first half of 2021. The assessment of the recoverable amount of the refinery assets was based on the refinery producing at historic production levels, albeit the Group 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, with the COVID-19 pandemic continuing to impact current conditions and outlook. Any decisions with respect to the refinery operations may impact future assessments of the recoverability of non-current assets relating to Lytton refinery, and these will be assessed when the review is completed in the first half of 2021.

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	Impact on impairment assessment
Long-term refining margins decreasing by US$1/bbl over a ten-year period	~$237 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%	~$25 million +/-

Notes to the Financial Statements
C Operating assets and liabilities continued
FOR THE YEAR ENDED 31 DECEMBER 2020

C4 Property, plant and equipment continued
Impairment of non-current assets continued
Carrying value assessment cash-generating units continued
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.

30 June 2020

The Group determined the recoverable amount of the site level CGU assets with the assessment determining that the carrying value of the Convenience Retail site assets was $233.0 million in excess of its recoverable amount at 30 June 2020. An impairment loss of $233.0 million was recognised with respect to property, plant and equipment at 30 June 2020. The loss has been recognised in other expenses in the Consolidated Income Statement.

31 December 2020

The Group re-assessed the recoverable amount of the site level CGU assets as at 31 December 2020 by using a value-in-use discounted cash flow analysis. The analysis uses cash flow forecasts based on a five-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 7.08% post-tax and pre-tax of 10.19%).

Based on this assessment at 31 December 2020 it was determined that the carrying value of the Convenience Retail site assets (post 30 June impairment loss) was $58.6 million in excess of its recoverable amount. An impairment loss of $58.6 million was recognised with respect to property, plant and equipment with a full year 2020 impairment loss of $291.6 million. The 2020 impairment 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.

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	Impact on impairment assessment for site level CGU's
EBIT reduction by 10%	~$22 million
Long-term growth rate reduction by 1%	~$10 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 ($20.1 million), buildings and plant and equipment ($21.7 million).

Notes to the Financial Statements
C Operating assets and liabilities continued

FOR THE YEAR ENDED 31 DECEMBER 2020

C4 Property, plant and equipment continued

Millions of dollars	2020	2019
Freehold land		
Carrying amount at the beginning of the year	**421.5**	428.2
Additions	**1.8**	8.6
Disposals	**(4.5)**	(15.8)
Impairment losses	**(32.8)**	-
Transfers from capital projects in progress	**0.8**	0.5
Foreign currency translation	**(1.4)**	-
Carrying amount at the end of the year	**385.4**	421.5
Buildings		
Carrying amount at the beginning of the year	**492.8**	509.0
Additions	**0.3**	-
Disposals	**(9.5)**	(23.1)
Impairment losses	**(44.4)**	-
Transfers from capital projects in progress	**17.4**	22.9
Depreciation	**(18.2)**	(16.0)
Foreign currency translation	**(0.1)**	-
Carrying amount at the end of the year	**438.3**	492.8
Leasehold property		
Carrying amount at the beginning of the year	**973.5**	998.4
Additions	**207.0**	93.7
Disposals	**(4.7)**	(0.6)
Impairment losses	**(85.6)**	-
Transfers from capital projects in progress	**10.4**	15.6
Depreciation	**(148.1)**	(133.6)
Foreign currency translation	**(0.5)**	-
Carrying amount at the end of the year	**952.0**	973.5
Plant and equipment		
Carrying amount at the beginning of the year	**1,539.2**	1,573.6
Additions	**255.6**	26.2
Disposals	**(2.3)**	(28.5)
Impairment losses	**(230.5)**	-
Transfers from capital projects in progress	**121.3**	178.9
Depreciation	**(228.0)**	(210.6)
Foreign currency translation	**(0.6)**	(0.4)
Carrying amount at the end of the year	**1,454.7**	1,539.2
Capital projects in progress		
Carrying amount at the beginning of the year	**275.5**	274.4
Additions	**128.1**	195.2
Borrowing costs capitalised	**0.3**	(0.1)
Transfers to property, plant and equipment and intangible assets	**(166.6)**	(217.9)
Reclassification	**-**	23.9
Carrying amount at the end of the year	**237.3**	275.5

Notes to the Financial Statements
C Operating assets and liabilities continued

FOR THE YEAR ENDED 31 DECEMBER 2020

C4 Property, plant and equipment continued

C4.1 Leased assets

Definition of a lease

At the inception of a contract, the Group assesses whether a contract is, or contains, a lease based on whether it conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

At inception or on reassessment of a contract that contains a lease and non-lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. Non-lease components are items that are not related to securing the use of the underlying asset.

The Group as a lessee

The Group leases many assets including and predominantly related to property leases for service stations, terminals, pipelines and wharves.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost. The cost comprises:

- the amount of the initial measurement of the lease liability;
- lease payments made at or before commencement, less lease incentive (if any);
- initial direct costs incurred, including legal fees, agency fees or other fees in relation to negotiation or arrangement of the lease and
- estimated costs to be incurred in restoring the asset as required by the terms and conditions of the lease.

The right-of-use asset is subsequently measured at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability.

The right-of-use assets are depreciated to the earlier of the end of the useful life of the underlying asset or the lease term using the straight-line method. Right-of-use asset depreciation expense is included in the “Selling and distribution expenses" and “General and administration expenses” in the Income Statement based on the function of associated activities.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Group’s incremental borrowing rate. The Group determines its incremental borrowing rate with reference to external market data, making certain adjustments to reflect the terms of the lease and the type of assets leased. Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, less any lease incentive receivable and
- the exercise price under a purchase option that the Group is reasonably certain to exercise lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease term is determined to be the non-cancellable period of the lease, considering the broader economics of the contract including economic penalties associated with exiting the lease and the useful life of the leasehold improvements on the relevant site.

The lease liability is subsequently increased by the interest cost on the lease liability (recognised in “Finance costs” in the Income Statement) and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including motor vehicles and IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Notes to the Financial Statements
C Operating assets and liabilities continued

FOR THE YEAR ENDED 31 DECEMBER 2020

C4 Property, plant and equipment continued

C4.1 Leased assets continued

Right-of-use assets

Right-of-use assets are presented within property, plant and equipment and leasehold property.

Millions of dollars	Leasehold property	Plant and equipment	Total
Balance at 1 January 2020	**852.2**	**7.7**	**859.9**
Additions	**204.0**	**0.1**	**204.1**
Disposals	**(4.7)**	**(0.7)**	**(5.4)**
Impairment losses	**(64.1)**	**-**	**(64.1)**
Depreciation charge for the year	**(134.1)**	**(3.4)**	**(137.5)**
Foreign currency translation	**(0.3)**	**-**	**(0.3)**
Balance at 31 December 2020	**853.0**	**3.7**	**856.7**
Balance at 1 January 2019	881.9	11.9	893.8
Additions	91.3	0.1	91.4
Depreciation charge for the year	(121.0)	(4.3)	(125.3)
Balance at 31 December 2019	852.2	7.7	859.9

Amounts recognised in Income Statement

Millions of dollars	2020	2019
Leases		
Interest on lease liabilities	**57.2**	58.6
Expenses relating to short-term leases, leases of low-value assets and variable leases	**59.9**	52.9

Amounts recognised in the statement of cash flows

For the purposes of presentation in the cash flow statement, principal lease payments of $107.7 million (2019: $109.5 million) are presented within the financing activities and interest of $57.2 million (2019: $58.6 million) within operating activities. Lease payments of short-term leases and leases of low-value assets of $59.9 million (2019: $52.9 million) are included within operating activities. In addition to the disclosure in the statement of cash flows, note D2.5 provides a maturity analysis of lease liabilities.

Extension options

Some leases contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

Group as lessor

In contracts where the Group is a lessor, the Group determines whether the lease is an operating lease or finance lease at inception of the lease. The accounting policies applicable to the Group as a lessor are not different from those under AASB 117.

However, when the Group is an intermediate lessor, the sub-leases are classified with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. The impact of sub-leases on the Financial Statements is immaterial.

The Group leases consist of owned commercial properties. All leases of owned property are classified as operating leases from a lessor perspective. Rental income recognised by the Group during 2020 was $22.0 million (2019: $29.9 million).

Notes to the Financial Statements
C Operating assets and liabilities continued

FOR THE YEAR ENDED 31 DECEMBER 2020

C4 Property, plant and equipment continued

C4.1 Leased assets continued

Group as lessor (continued)

The Group has granted operating leases expiring from one to forty-three years. The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

Millions of dollars	2020	2019[i]
Operating leases under AASB 16		
Within one year	**7.1**	13.1
Between one and five years	**16.5**	17.2
After five years	**1.1**	2.2
	24.7	32.5

(i) Comparative information has been restated to appropriately reflect the actual 2019 balances.

C5 Payables

Millions of dollars	2020	2019
Current		
Trade creditors unsecured	**935.8**	2,354.2
Other creditors and accrued expenses	**485.4**	335.4
Derivative liabilities	**67.9**	43.0
	1,489.1	2,732.6
Non-current		
Other creditors and accrued expenses	**16.0**	21.3

Payables are recognised for amounts to be paid in the future for goods and services received, whether it is billed to the Group or not. Trade accounts payable are normally settled on between 30-day and 60-day terms.

Payables are initially recognised at fair value plus any directly attributable transaction costs and subsequently measured at amortised cost.

Notes to the Financial Statements
C Operating assets and liabilities continued

FOR THE YEAR ENDED 31 DECEMBER 2020

C6 Provisions

Millions of dollars	Site remediation and dismantling	Other	Total
Balance at 1 January 2020	315.3	16.8	332.1
Provisions made during the year	312.9	77.3	390.2
Provisions used during the year	(44.0)	(13.8)	(57.8)
Provisions released during the year	(3.9)	-	(3.9)
Discounting movement	6.4	-	6.4
Balance at 31 December 2020	586.7	80.3	667.0
Current	114.4	64.3	178.7
Non-current	472.3	16.0	488.3
	586.7	80.3	667.0

A provision is recognised when there is a present legal or constructive obligation as a result of a past event that can be measured reliably and it is probable that a future sacrifice of economic benefits will be required to settle the obligation, the timing or amount of which is uncertain.

The provision is the best estimate of the present value of the expenditure to settle the obligation at the reporting date. These costs are reviewed annually and any changes are reflected in the provision at the end of the reporting period.

A provision is determined by discounting the expected future cash flows (adjusted for expected future risks) required to settle the obligation at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Subsequent accretion to the amount of a provision due to unwinding of the discount is recognised as a financing cost.

In general, the further in the future that a cash outflow for a liability is expected to occur, the greater the degree of uncertainty around the amount and timing of that cash outflow. Examples are of cash outflows that are expected to occur a number of years in the future and, as a result, there is uncertainty on the amounts involved, including asset decommissioning and restoration obligations.

Estimates of the amount of an obligation are based on current legal and constructive obligations, technology and price levels. Actual outflows can differ from estimates due to changes in laws, regulations, public expectations, technology, prices and conditions and can take many years in the future. The carrying amounts of provisions are regularly reviewed and adjusted to take account of such changes.

Site remediation and dismantling

Costs for future dismantling and removal of assets, and remediation of the site on which assets are located, are provided for and capitalised upon initial construction of the asset, where an obligation to incur such costs arises under regulatory requirements and/or the contractual terms of a lease. The present value of the expected future cash flows required to settle these obligations is capitalised and depreciated over the useful life of the asset or the lease term.

A change in estimate of the provision is added to or deducted from the cost of the related asset in the period of the change, to the extent that any amount deducted does not exceed the carrying amount of the asset. If an adjustment results in an addition to the cost of the related asset, consideration will be given to whether an indication of impairment exists and the impairment policy will be applied. An adjustment in circumstances where there is no such related asset is recognised in the Consolidated Income Statement immediately.

Remediation identified in the period resulting from ongoing or past operations, where a legal or constructive obligation exists and the amount can be reliably estimated is recognised as a provision with a corresponding expense to the Consolidated Income Statement.

In assessing the value of provisions the Company uses assumptions and estimates. These include the current legal, contractual or constructive obligations for remediation, expected timings of settlements and amounts (based on past experience or third-party estimates of cost of asset removal, site assessment and additional soil remediation), discount rates and cost inflation rates.

The provision for environmental liabilities is estimated based on current legal and constructive requirements, technology, price levels and expected plans for remediation. Actual costs and timing of cash outflows can differ from current estimates because of changes in regulations, public expectations, prices, new information on site conditions and changes in technology. The timing and amount of future expenditures relating to site dismantling and remediation liabilities are reviewed annually, together with the interest rate used in discounting the cash flows. Changes in assumptions in relation to the Company's provisions can result in material changes to their carrying amounts.

Notes to the Financial Statements
C Operating assets and liabilities continued

FOR THE YEAR ENDED 31 DECEMBER 2020

C6 Provisions continued

Site remediation and dismantling continued

Set out below are the key components of the site remediation and dismantling provision including, where relevant, a description of material changes to the estimates made during the year:

- the environmental remediation obligation associated with the Kurnell oil refinery following its conversion to an import terminal. Following the completion of the Kurnell refinery processing plant demolition activities in 2019 the Group obtained an updated environmental remediation cost estimate utilising a third-party expert. During the year the provision has been reassessed by internal experts in the year taking into account progress against the Kurnell remediation management strategy, interaction with regulatory and local government authorities, latest site information and the cost and scope of remediation activity. No material change to the provision was identified. An updated cost estimate utilising a third-party expert will be obtained in 2021;
- restoration and remediation costs for sites identified for divestment including the cost of restoration to a level of non-sensitive industrial use. During the year, marginal Convenience Retail and Depot sites met this criterion which resulted in an increase in the provision of $32.3 million;
- restoration and remediation costs for 25 sites that were sold in 2019 for a “higher and better” use reflecting their significant value as future residential sites. The expense reflects the Group’s commitment to remediate to these sites to a standard which would allow residential development. During the year the provision was revised following reassessments of the cost of remediation as site work progressed resulting in an increase in the provision of $16.9 million;
- the estimated cost of dismantling and removal of assets from owned and leased operational sites. During the year the provision for the cost of dismantling and removal of assets from owned and leased operational sites was reassessed. This followed significant changes to the Group’s site network including site closures and changes to site use and was made to better reflect the Group’s future estimates of the cost of legal and contractual restoration obligations. Estimated assumptions include current legal, contractual or constructive obligations for dismantling assets and site restoration, expected timings of settlements, expenses based on past experience or third party estimates of cost of asset removal, site assessment and additional soil remediation, as well as discount rates and cost inflation rates. This resulted in an increase in the provision of $241.4 million and a corresponding increase in Property, Plant and Equipment for owned and leased assets and
- the estimated cost of remediation for site specific identified contamination. The estimated liability for these costs is dependent on the actions required to meet regulatory standards and other requirements. There was no material change to the provision in the year.

Other

The largest portion of Other includes the provision for rebranding obligations to third-party owned sites for $46.0 million that was recognised in 2020 with the Income Statement expense treated as a significant item. The remainder of provision includes legal and other provisions.

Notes to the Financial Statements
D Capital, funding and risk management

FOR THE YEAR ENDED 31 DECEMBER 2020

This section focuses on the Group's capital structure and related financing costs. This section also describes how the Group manages the capital and the financial risks it is exposed to as a result of its operating and financing activities.

D1 Going concern, liquidity and interest-bearing liabilities

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 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 weighted average maturity of 3.6 years. Significant headroom remains key to financial covenants under all the Group's borrowing arrangements.

Management actions have also been taken to support cash flow, liquidity and strengthened the balance sheet including cost-out initiatives, capital expenditure rationalisation, optimising funding sources made up of committed bank debt facilities and bonds, operational responses and asset sales.

On 20 November 2020, Ampol completed an agreement with a Charter Hall and GIC consortium that acquired a 49% interest in 203 freehold convenience retail sites, which delivered net proceeds of $655.2 million in 2020.

On 23 November 2020, Ampol announced an Off-market Buy-back which was completed on 22 January 2021 for $300.4 million. Refer to note G9 Events subsequent to the end of the year for further details.

On 9 December 2020, Ampol successfully issued $500.0 million of subordinated notes. These notes will diversify Ampol's funding sources, support its credit profile and increase its financial flexibility in line with its Capital Allocation Framework.

D1.1 Interest-bearing liabilities

Millions of dollars	2020	2019
Current		
Bank facilities	**-**	61.0
Lease liabilities	**160.2**	160.5
Current interest-bearing liabilities	**160.2**	221.5
Non-current		
Bank facilities(i)	**(5.3)**	532.2
Capital market borrowings(ii)	**313.5**	309.8
Subordinated notes(iii)	**493.3**	-
Lease liabilities	**754.0**	717.3
Non-current interest-bearing liabilities	**1,555.5**	1,559.3
Total interest-bearing liabilities	**1,715.7**	1,780.8

(i) Bank facilities comprises of no drawn bank debt at 31 December 2020 (less borrowing costs of $5.3 million (2019: $6.0 million)).

(ii) Capital market borrowings of $313.5 million (2019: $309.8 million) includes a fair value adjustment of $14.8 million (2019: $11.3 million) relating to the fair value hedge of the $300.0 million Australian Medium-Term Notes (less borrowing costs of $1.3 million (2019: $1.4 million)).

(iii) Subordinated Notes were issued on 9 December 2020 and are unlisted. They are denominated in Australian dollars. The Notes have a maturity date of 9 December 2080, with the first optional redemption date on 9 March 2026 totalling $500.0 million (less borrowing costs of $6.7 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.

Refer to note C4.1 for accounting policies on lease liabilities.

Significant funding transactions

During 2020, the Group extended the tenor on the AUD equivalent $1,503.0 million (2019: $1,773.8 million) of its existing bilateral bank facilities and downsized its committed bank facilities by $200.0 million (2019: upsized by $400.0 million).

Notes to the Financial Statements
D Capital, funding and risk management continued

FOR THE YEAR ENDED 31 DECEMBER 2020

D2 Risk management

The Group currently finances its operations through a variety of financial instruments including bank facilities, capital markets borrowings, subordinated notes and leasing transactions. Surplus funds are invested in cash and short-term deposits. The Group has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and commodity price risk), as well as credit and liquidity risk.

Group Treasury centrally manages foreign exchange risk, interest rate risk, liquidity risk, financial institutional credit risk, funding and capital management. Risk management activities with respect to customer credit risk are carried out by the Group's Credit Risk department, and risk management activities with respect to commodity price risk are carried out by Ampol Singapore.

The Group operates under policies approved by the Board of Directors. Group Treasury, Credit Risk and Ampol Singapore evaluate and monitor the financial risks in close co-operation with the Group's operating units.

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to reduce potential adverse effects on financial performance. The Group uses a range of derivative financial instruments to hedge market exposures.

The Group enters into derivative transactions; principally, interest rate swaps, foreign exchange contracts (forwards, swaps and options) and crude and finished product swap and futures contracts. The purpose is to manage the market risks arising from the Group's operations and its sources of finance.

Derivative financial instruments are recognised at fair value. The gain or loss on subsequent remeasurement is recognised immediately in the Consolidated Income Statement. However, where derivatives qualify for hedge accounting, recognition of any resulting gain or loss depends on the nature of the item being hedged.

It is the Group's policy that no speculative trading with derivative instruments shall be undertaken.

The magnitude of each type of financial risk that has arisen over the year is discussed in notes D2.1 to D2.5 below.

Hedge accounting

There are three types of hedge accounting relationships that the Group utilises:

Type of hedge	Objective	Hedging instruments	Accounting treatment
Cash flow hedges	To hedge the Group's exposure to variability in cash flows of an asset, liability or forecast transaction caused by interest rate or foreign currency movements.	Foreign exchange contracts (forwards, swaps and options). Interest rate swap contracts (floating-to-fixed).	The effective portion of changes in fair value of these financial instruments is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the Consolidated Income Statement. The cumulative gain or loss in equity is transferred to the Consolidated Income Statement in the period when the hedged item affects profit or loss. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, the cumulative gain or loss existing in equity at the time remains in equity and is recognised when the forecast transaction ultimately affects profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the Consolidated Income Statement.
Fair value hedges	To hedge the Group's exposure to changes to the fair value of an asset or liability arising from interest rate movements.	Interest rate swap contracts (fixed-to-floating).	Changes in the fair value of derivative financial instruments that are designated and qualify as fair value hedges are recorded in the consolidated Income Statement, together with any changes in the fair value of the hedged asset or liability or firm commitment attributable to the hedged risk.
Net investment hedges	To hedge the Group's exposure to exchange rate differences arising from the translation of our foreign operations from their functional currency to Australian dollars.	Foreign currency borrowings.	Foreign exchange differences arising from the translation of the net investment in foreign operations, and of related hedges that are effective, are recognised in other comprehensive income and presented in the foreign currency translation reserve within equity. They may be released to the Consolidated Income Statement upon disposal of the foreign operation.

Notes to the Financial Statements
D Capital, funding and risk management continued
FOR THE YEAR ENDED 31 DECEMBER 2020

D2 Risk management continued

D2.1 Interest rate risk

Interest rate risk is the risk that fluctuations in interest rates adversely impact the Group's results. Borrowings issued at variable interest rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

Interest rate risk exposure

The Group's exposure to interest rate risk (after hedging) for classes of financial assets and liabilities is set out as follows:

Millions of dollars	2020	2019
Financial assets		
Cash at bank and on hand	**367.6**	35.0
	367.6	35.0
Financial liabilities		
Variable rate borrowings		
Bank facilities	**144.8**	323.2
Subordinated notes	**73.3**	-
Fixed interest rate – repricing dates including lease liabilities:		
12 months or less	**160.2**	160.5
One to five years	**1,171.2**	819.6
Over five years	**166.2**	477.5
	1,715.7	1,780.7

Management of interest rate risk

The Group manages interest rate risk by using a floating versus fixed rate debt framework. The relative mix of fixed and floating interest rate funding is managed by using interest rate swap contracts. Maturities of swap contracts are principally between one and five years.

The Group manages its cash flow interest rate risk by entering into floating-to-fixed interest rate swap contracts. At 31 December 2020, the fixed rates under these swap contracts varied from 1.6% to 2.5% per annum, at a weighted average rate of 2.2% per annum (2019:1.6% to 2.5% per annum, at a weighted average rate of 2.2% per annum).

The Group manages its fair value interest rate risk by using fixed-to-floating interest rate swap contracts.

The net fair value of interest rate swap contracts at 31 December 2020 was a $6.9 million gain (2019: $1.2 million gain).

Interest rate sensitivity analysis

At 31 December 2020, if interest rates had changed by -/+1% from the year-end rates, with all other variables held constant, the impact on post-tax profit for the year for the Group and equity would have been:

	2020		2019	
Millions of dollars	Post-tax profit	Hedge reserve	Post-tax profit	Hedge reserve
Interest rates decrease by 1%	**(5.1)**	**(10.7)**	3.8	(7.1)
Interest rates increase by 1%	**5.0**	**10.1**	(3.8)	6.9

Notes to the Financial Statements
D Capital, funding and risk management continued

FOR THE YEAR ENDED 31 DECEMBER 2020

D2 Risk management continued

D2.2 Foreign exchange risk

Foreign exchange risk is the risk that fluctuations in exchange rates will adversely impact the Group's results.

Foreign currency transactions are recorded on initial recognition in Australian dollars by applying the exchange rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Australian dollars at the foreign exchange rate applicable for that date. Foreign exchange differences arising on translation are recognised in the Consolidated Income Statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at foreign exchange rates at the dates the fair value was determined.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into Australian dollars at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into Australian dollars at the exchange rates at the date of the transactions. Foreign currency differences are recognised in the Consolidated Statement of Comprehensive Income and accumulated in the foreign currency translation reserve.

The Group is exposed to the effect of changes in exchange rates on its operations and investments.

Foreign exchange risk exposure

				2020
Millions of dollars (Australian dollar equivalent amounts)	**US dollar**	**NZ dollar**	**Australian dollar**	**Total**
Bank facilities	-	-	-	-
Cash and cash equivalents	65.5	9.6	292.5	367.6
Trade receivables	264.3	4.4	593.6	862.3
Trade payables	(794.2)	(63.2)	(594.9)	(1,452.3)
Forward exchange contracts (forwards, swaps and options)	(2.4)	(0.6)	-	(3.0)
Crude and finished product swap and futures contracts	(49.8)	-	-	(49.8)

				2019
Millions of dollars (Australian dollar equivalent amounts)	**US dollar**	**NZ dollar**	**Australian dollar**	**Total**
Bank facilities	-	(292.2)	(301.0)	(593.2)
Cash and cash equivalents	11.6	5.4	18.0	35.0
Trade receivables	171.5	4.9	1,311.5	1,487.9
Trade payables	(2,202.5)	(31.9)	(486.3)	(2,720.7)
Forward exchange contracts (forwards, swaps and options)	(6.0)	(0.2)	-	(6.2)
Crude and finished product swap and futures contracts	(27.0)	-	-	(27.0)

Management of foreign exchange risk

In accordance with Group Treasury Policy, the Group's transactional and translational foreign currency exposures are managed as follows:

- transactional foreign currency exposure - foreign exchange instruments (forwards, swaps and options) are used to economically hedge transactional foreign currency exposure and
- translational foreign currency exposure – foreign currency borrowings are used to hedge the Group's exposure arising from the foreign currency translation risk from its net investment in foreign operations.

As at 31 December 2020, the total fair value of all outstanding foreign exchange contracts (forwards, swaps and options) amounted to a $3.0 million loss (2019: $6.2 million loss).

Notes to the Financial Statements
D Capital, funding and risk management continued

FOR THE YEAR ENDED 31 DECEMBER 2020

D2 Risk management continued

D2.2 Foreign exchange risk continued

Foreign exchange rate sensitivity analysis

At 31 December 2020, had the Australian dollar strengthened/weakened by 10% against the following currencies respectively, with all other variables held constant, the impact on post-tax profit for the year for the Group and equity would have been:

	2020		2019	
Millions of dollars	Post-tax profit	Equity	Post-tax profit	Equity
AUD strengthens against US dollar by 10%	**(4.3)**	**-**	11.9	-
AUD weakens against US dollar by 10%	**13.4**	**-**	(14.6)	-
AUD strengthens against NZ dollar by 10%	**-**	**-**	-	12.6
AUD weakens against NZ dollar by 10%	**-**	**-**	-	(15.4)

D2.3 Commodity price risk

Commodity price risk is the risk that fluctuations in commodity prices will adversely impact the Group's results. The Group is exposed to the effect of changes in commodity prices on its operations.

The Group utilises crude and finished product swap and futures contracts to manage the risk of price movements. The Enterprise Commodity Risk Management Policy seeks to minimise adverse price timing risks and basis exposures brought about by purchase and sales transactions.

As at 31 December 2020, the total fair value of all outstanding crude and finished product swap and futures contracts amounted to a $49.8 million loss (2019: $27.0 million loss).

Commodity price sensitivity analysis

At 31 December 2020, if commodity prices had changed by -/+10% from the year-end prices, with all other variables held constant, the impact on post-tax profit for the year for the Group and equity would have been:

	2020		2019	
Millions of dollars	Post-tax profit	Hedge reserve	Post-tax profit	Hedge reserve
Commodity prices decrease by 10%	**14.7**	**-**	39.0	-
Commodity prices increase by 10%	**(14.7)**	**-**	(49.1)	-

D2.4 Credit risk

Customer credit risk

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

The credit risk on financial assets of the Group which have been recognised on the Consolidated Balance Sheet is the carrying amount of trade debtors and other receivables, net of allowances for impairment (see note C1).

The Group has a Board-approved Credit Policy and manual which provide the guidelines for the management and diversification of the credit risk to the Group. The guidelines provide the scope in which the credit risk of customers is assessed and the use of credit rating and other information in order to set appropriate limits of trade with customers. The credit quality of customers is consistently monitored in order to identify any potential adverse changes in the credit risk of the customers.

Expected customer credit losses are assessed on a portfolio basis between small business individuals and bulk fuel customers.

The Group also minimises concentrations of credit risk by undertaking transactions with a large number of customers across a variety of industries and networks.

Security is required to be supplied by certain groups of Ampol customers to minimise risk. The security could be in the form of a registered personal property security interest over the customer's assets and/or mortgages over real property. Bank guarantees, other contingent instruments or insurance bonds are also provided in some cases.

Notes to the Financial Statements
D Capital, funding and risk management continued

FOR THE YEAR ENDED 31 DECEMBER 2020

D2 Risk management continued

D2.4 Credit risk continued

Financial institution credit risk

Credit risk on cash, short-term deposits and derivative contracts is reduced by transacting with relationship banks which have acceptable credit ratings determined by a recognised ratings agency. Interest rate swaps, foreign exchange contracts (forwards, swaps and options), crude and finished product swap and futures contracts, bank guarantees, and other contingent instruments are subject to credit risk in relation to the relevant counterparties, which are principally large relationship banks. The maximum credit risk exposure on foreign exchange contracts, crude and finished product swap and futures contracts, bank guarantees, and other contingent instruments is the fair value amount that the Group receives when settlement occurs, should the counterparty fail to pay the amount which it is committed to pay the Group. The credit risk on interest rate swaps is limited to the positive mark-to-market amount to be received from counterparties over the life of contracts.

D2.5 Liquidity risk management

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.

The debt facility maturity profile of the Group as at 31 December 2020 is as follows:

Millions of dollars	2021	2022	2023	2024	Beyond 2024	Funds available	Drawn	Undrawn
Bank facilities - Drawn	-	-	-	-	-	-	-	-
Bank facilities - Undrawn	225.0	419.5	240.0	462.5	793.5	2,140.5	-	2,140.5
Capital market borrowings(i)	-	-	-	-	300.0	300.0	300.0	-
Subordinated notes(ii)	-	-	-	-	500.0	500.0	500.0	-
Total	225.0	419.5	240.0	462.5	1,593.5	2,940.5	800.0	2,140.5

(i) Capital market borrowings were drawn for the year ended 31 December 2020. Refer to note D1.1 annotation (ii) for the reconciliation back to $313.5 million (2019: $309.8 million).

(ii) Subordinated notes were drawn for the year ended 31 December 2020. Refer to note D1.1 annotation (iii) for the reconciliation back to $493.3 million.

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 weighted average debt maturity profile of 3.6 years.

The total available funds at 31 December 2020 was $2,940.5 million (2019: $2,648.8 million), with $2,140.5 million (2019: $1,816.6 million) in undrawn committed bank debt facilities.

The tables below set out the contractual timing of undiscounted cash flows on derivative and non-derivative financial assets and liabilities at the reporting date, including drawn borrowings and interest.

			2020			2019
Millions of dollars	Derivative financial liabilities	Derivative financial assets	Net derivative financial (liabilities)/ assets	Derivative financial liabilities	Derivative financial assets	Net derivative financial (liabilities)/ assets
Derivative financial instruments						
Less than one year	(1,469.2)	1,462.3	(6.9)	(1,017.5)	1,008.4	(9.1)
One to five years	(6.6)	17.1	10.5	(12.1)	16.2	4.1
Over five years	-	-	-	(1.1)	1.9	0.8
			3.6			(4.2)

Notes to the Financial Statements
D Capital, funding and risk management continued
FOR THE YEAR ENDED 31 DECEMBER 2020

D2 Risk management continued
D2.5 Liquidity risk management continued

Millions of dollars	2020	2019
Non-derivative financial instruments liabilities		
Less than one year	**(1,448.0)**	(2,760.4)
One to five years	**(438.6)**	(526.5)
Over five years	**(505.7)**	(381.0)
	(2,392.3)	(3,667.9)

Millions of dollars	2020	2019
Lease liabilities		
Less than one year	**(160.2)**	(160.5)
One to five years	**(587.7)**	(573.9)
Over five years	**(166.3)**	(521.9)
	(914.2)	(1,256.3)

D3 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:

- 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;
- deliver Return on Capital Employed (ROCE) that exceeds the weighted average cost of capital; and
- make disciplined capital allocation decisions between investments, debt reduction and distribution of surplus capital to shareholders.

The Group's gearing ratio is calculated as net borrowings/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 D1.1) less cash and cash equivalents. Total capital is calculated as equity as shown in the balance sheet plus net borrowings.

Millions of dollars	2020	2019
Interest-bearing liabilities	**801.5**	903.0
Less: cash and cash equivalents	**(367.6)**	(35.0)
Net borrowings	**433.9**	868.0
Total equity	**3,224.7**	3,270.5
Total capital	**3,658.6**	4,138.5
Gearing ratio	**11.9%**	21.0%

Notes to the Financial Statements
D Capital, funding and risk management continued

FOR THE YEAR ENDED 31 DECEMBER 2020

D4 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)			
31 December 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(i)	**5.3**	**-**	**-**	**-**	**-**
Capital market borrowings	**(313.5)**	**(347.9)**	**-**	**(347.9)**	**-**
Subordinated notes	**(493.3)**	**(592.9)**	**-**	**(592.9)**	**-**
Derivatives					
Interest rate swaps	**6.9**	**6.9**	**-**	**6.9**	**-**
Foreign exchange contracts (forwards, swaps and options)	**(3.0)**	**(3.0)**	**-**	**(3.0)**	**-**
Crude and finished product swap and futures contracts	**(49.8)**	**(49.9)**	**(22.0)**	**(27.9)**	**-**
Total	**(847.4)**	**(986.8)**	**(22.0)**	**(964.8)**	**-**

(i) Relates to capitalised borrowing costs recorded at amortised cost on undrawn bank facility

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	(37.4)	-
Total	(935.0)	(966.9)	10.3	(977.2)	-

Notes to the Financial Statements
D Capital, funding and risk management continued

FOR THE YEAR ENDED 31 DECEMBER 2020

D4 Fair value of financial assets and liabilities continued

Estimation of fair values

Interest-bearing liabilities

Bank facilities

These are estimated as the present value of future cash flows using the applicable market rate.

Capital market borrowings and subordinated notes

These are determined by quoted market prices or dealer quotes for similar instruments

Derivatives

Interest rate swaps

This is an 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)

These are 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.

D5 Master netting or similar agreements

The Group enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master netting agreements. In general, under such agreements the amounts owed by each counterparty on a single day in respect of all transactions outstanding in the same currency are aggregated into a net amount payable by one party to the other.

The Group purchases and sells petroleum products with a number of counterparties with contractual offsetting arrangements, referred to as “buy sell arrangements”.

The following table presents the recognised amounts that are netted, or subject to master netting arrangements but not offset, as at reporting date. The column “Net amount” shows the impact on the Group’s balance sheet if all set-off rights were exercised.

2020

Millions of dollars (Australian dollar equivalent amounts)	Gross amount	Amount offset in the balance sheet	Amount in the balance sheet	Related amount not offset	Net amount
Derivative financial assets	**210.3**	**(188.3)**	**22.0**	**(6.5)**	**15.5**
Buy sell arrangements	**152.3**	**(125.5)**	**26.8**	**-**	**26.8**
Total financial assets	**362.6**	**(313.8)**	**48.8**	**(6.5)**	**42.3**
Derivative financial liabilities	**(256.2)**	**188.3**	**(67.9)**	**6.5**	**(61.4)**
Buy sell arrangements	**(204.3)**	**125.5**	**(78.8)**	**-**	**(78.8)**
Total financial liabilities	**(460.5)**	**313.8**	**(146.7)**	**6.5**	**(140.2)**

2019

Millions of dollars (Australian dollar equivalent amounts)	Gross amount	Amount offset in the balance sheet	Amount in the balance sheet	Related amount not offset	Net amount
Derivative financial assets	122.1	(111.2)	10.9	(2.9)	8.0
Buy sell arrangements	347.8	(317.1)	30.7	-	30.7
Total financial assets	469.9	(428.3)	41.6	(2.9)	38.7
Derivative financial liabilities	(154.2)	111.2	(43.0)	2.9	(40.1)
Buy sell arrangements	(343.2)	317.1	(26.1)	-	(26.1)
Total financial liabilities	(497.4)	428.3	(69.1)	2.9	(66.2)

Notes to the Financial Statements
D Capital, funding and risk management continued
FOR THE YEAR ENDED 31 DECEMBER 2020

D6 Issued capital

Millions of dollars	2020	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 2020 Remuneration Report for further detail. For each right that vests, the Group intends to purchase shares on-market following vesting.

Subsequent to the year end the Group completed an Off-Market Buy-Back. Refer to note G9 for further details.

Notes to the Financial Statements
E Taxation

FOR THE YEAR ENDED 31 DECEMBER 2020

This section provides details of the Group's income tax expense, current tax provision and deferred tax balances and the Group's tax accounting policies.

E1 Income tax benefit/(expense)

E1.1 Recognised in the Income Statement

Millions of dollars	2020	2019
Current tax (expense)/benefit		
Current year	**(18.5)**	(126.9)
Adjustments for prior years	**(12.1)**	2.6
Total current tax expense	**(30.6)**	(124.3)
Deferred tax benefit/(expense)		
Origination and reversal of temporary differences	**170.7**	(3.9)
Benefit of tax losses	**101.8**	-
Benefit of carry forward tax offsets	**1.9**	-
Adjustments for prior years	**2.0**	(9.7)
Total deferred tax benefit/(expense)	**276.4**	(13.6)
Total income tax benefit/(expense) in the income statement	**245.8**	(137.9)

E1.2 Reconciliation between income tax expense and profit before income tax expense

Millions of dollars	2020	2019
(Loss)/profit before income tax	**(725.6)**	521.7
Income tax benefit/(expense) using the domestic corporate tax rate of 30% (2019: 30%)	**217.7**	(156.5)
Effect of tax rates in foreign jurisdictions	**(9.7)**	8.4
Change in income tax benefit/(expense) due to:		
Share of net profit of associated entities	**3.2**	1.3
Tax on minority interest portion of flow through entity profits	**1.3**	-
Income not subject to attribution under controlled foreign company regime	**12.8**	-
Capital tax losses utilised for which no deferred tax asset was recognised	**16.2**	9.8
Step-up to market value on pre-CGT sites	**13.4**	6.1
Research and development allowances	**0.4**	0.6
Other	**0.6**	(0.5)
Income tax under provided in prior years	**(10.1)**	(7.1)
Total income tax benefit/(expense) in the income statement	**245.8**	(137.9)

Income tax benefit/(expense) comprises current tax expense and deferred tax expense. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the balance sheet date, and any adjustments to tax payable in respect of previous years. Deferred tax expense represents the changes in temporary differences between the carrying amount of an asset or liability in the statement of financial position and its tax base.

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Notes to the Financial Statements
E Taxation continued

FOR THE YEAR ENDED 31 DECEMBER 2020

E1 Income tax benefit/(expense) continued

Taxation of Singaporean entities

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 31 December 2020 is $178.9 million (2019: $163.1 million). Under an administrative agreement made with the ATO, 50% of the differential in tax on earnings under the Australian and Singaporean taxation rates for the years 2014 to 2019 years has been paid or payable pending resolution of the matter. No Australian tax was paid or payable on earnings in respect of the 2020 year because the Ampol Australian tax consolidated group was in a tax loss position. As a result, as at 31 December 2020 in relation this matter, $81.0 million is recognised in current tax payable and $10.9 million (being the Australian tax payable on the 2020 earnings of the Group's Singaporean entities) has reduced the deferred tax asset recognised on the Australian tax consolidated group's carry forward tax loss. 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.

E2 Deferred tax

Deferred tax is recognised using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Net movement in deferred tax

Millions of dollars	2020	2019
Net deferred income tax assets arising on temporary differences	**434.3**	172.2
Net deferred income tax liabilities arising on temporary differences	**(61.1)**	-
Tax losses – revenue recorded as asset	**70.9**	-
Total net deferred income tax assets	**444.1**	172.2

E2.1 Movement in deferred tax

Millions of dollars Asset/(Liability)	Balance at 1 Jan 20	Recognised in income	Recognised in equity	Balance at 31 Dec 20
Cash and receivables	**2.8**	**(3.5)**	**-**	**(0.7)**
Inventories	**6.8**	**1.4**	**-**	**8.2**
Property, plant and equipment and intangibles	**(208.8)**	**13.7**	**28.6**	**(166.5)**
Payables	**22.5**	**8.7**	**(0.6)**	**30.6**
Interest-bearing liabilities	**4.7**	**(0.6)**	**(0.5)**	**3.6**
Provisions	**111.4**	**118.5**	**0.1**	**230.0**
Lease liabilities	**250.6**	**27.8**	**(0.1)**	**278.3**
Tax asset recognised on tax losses	**-**	**101.8**	**(30.9)**	**70.9**
Other	**(17.8)**	**8.5**	**(1.0)**	**(10.3)**
Net deferred tax asset	**172.2**	**276.3**	**(4.4)**	**444.1**

Notes to the Financial Statements
E Taxation continued
FOR THE YEAR ENDED 31 DECEMBER 2020

E2 Deferred tax continued

Millions of dollars Asset/(Liability)	Balance at 1 Jan 19	Adoption of AASB 16	Recognised in income	Recognised in equity	Change in accounting policy(i)	Balance at 31 Dec 19
Cash and receivables	(17.9)	(1.4)	22.1	-	-	2.8
Inventories	(8.3)	-	15.1	-	-	6.8
Property, plant and equipment and intangibles	50.8	(256.3)	2.3	-	(5.6)	(208.8)
Payables	39.5	(4.0)	(15.2)	2.2	-	22.5
Interest-bearing liabilities	4.6	-	0.1	-	-	4.7
Provisions	131.7	-	(19.2)	(1.1)	-	111.4
Lease liabilities	-	267.9	(17.3)	-	-	250.6
Other	(16.2)	-	(1.6)	-	-	(17.8)
Net deferred tax asset	184.2	6.2	(13.7)	1.1	(5.6)	172.2

(i) Refer to note A4.

E2.2 Deferred tax recognised directly in equity

Millions of dollars	2020	2019
Related to actuarial gains	**0.1**	(1.1)
Related to derivatives	**(0.6)**	1.8
Related to change in fair value of net investment hedges	**(0.5)**	0.4
Related to foreign operations – foreign currency translation differences	**(0.9)**	-
Related to share-based payments	**0.5**	-
Related to retained earnings	**-**	6.2
Ampol Property Trust – Divestment of Minority Interest	**(3.0)**	-
	(4.4)	7.3

E2.3 Unrecognised deferred tax assets

Millions of dollars	2020	2019
Capital tax losses	**0.5**	58.8

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which these benefits can be utilised by the Group. These have not been tax effected.

E3 Tax consolidation

Ampol recognises all current tax balances relating to its wholly owned Australian resident entities included in the tax consolidated group (TCG). Ampol, in conjunction with the other members of the TCG, has entered into a tax funding arrangement which sets out the funding obligations of members of the TCG in respect of tax amounts.

Notes to the Financial Statements
F Group structure

FOR THE YEAR ENDED 31 DECEMBER 2020

This section provides information on the Group's structure and how this impacts the results of the Group as a whole, including details of joint arrangements, controlled entities, transactions with non-controlling interests and changes made to the structure during the year.

F1 Controlled entities

Controlled entities are those entities controlled by the Group. Control exists when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns from its involvement with the entity and through its power over the entity.

The following entities were controlled during 2020:

		% Interest	
Name	**Note**	**2020**	**2019**
Companies			
Ampol Bendigo Pty Ltd	(xv)(xii)(iii)	**100**	100
Ampol International Holdings Pte Ltd	(ii)	**100**	100
Ampol Management Services Pte Ltd	(ii)	**100**	100
Ampol Procurement Services Pte Ltd	(ii)	**100**	100
Ampol Property (Holdings) Pty Ltd	(iii)	**100**	100
Ampol Property Manager Pty Ltd (formerly Ampol Convenience REIT FinCo Pty Ltd)	(xiv)	**100**	-
Ampol Refineries (Matraville) Pty Ltd	(xii)	**100**	100
Ampol Road Pantry Pty Ltd	(xv)(xii)	**100**	100
Ampol Singapore Trading Pte Ltd	(ii)	**100**	100
Ampol US Trading LLC	(x)	**100**	-
Ampol US Holdings LLC	(x)	**100**	-
Ampol US Management Services LLC	(x)	**100**	-
Ampol Shipping & Logistics Pte Ltd	(ii)(xi)	**100**	-
Ampol Convenience PropCo Pty Ltd (formerly Australian Petroleum Marine Pty Ltd)	(iii)	**100**	100
B & S Distributors Pty Ltd	(iv)	**50**	50
Bowen Petroleum Services Pty Ltd	(xv)(xii)	**100**	100
Ampol Aviation Pty Ltd (formerly Caltex Aviation Pty Ltd)		**100**	100
ALD Group Holdings NZ Limited (formerly CAL Group Holdings NZ Ltd)	(v)	**100**	100
Ampol LPG Pty Ltd (formerly Calgas Pty Ltd)		**100**	100
Ampol Retail Pty Ltd (formerly Calstores Pty Ltd)	(iii)	**100**	100
Ampol Australia Custodians Pty Ltd (formerly Caltex Australia Custodians Pty Ltd)	(iii)	**100**	100
Ampol Australia Management Pty Ltd (formerly Caltex Australia Management Pty	(iii)	**100**	100
Caltex Australia Nominees Pty Ltd	(xii)	**100**	100
Ampol Australia Petroleum Pty Ltd (formerly Caltex Australia Petroleum Pty Ltd)	(iii)	**100**	100
Ampol Fuel Services Pty Ltd (formerly Caltex Fuel Services Pty Ltd)	(iii)	**100**	100
Ampol Lubricating Oil Refinery Pty Ltd (formerly Caltex Lubricating Oil Refinery Pty	(iii)	**100**	100
Ampol Petroleum (Qld) Pty Ltd (formerly Caltex Petroleum (Qld) Pty Ltd)	(iii)	**100**	100
Ampol Petroleum (Victoria) Pty Ltd (formerly Caltex Petroleum (Victoria) Pty Ltd)	(iii)	**100**	100
Ampol Petroleum Pty Ltd (formerly Caltex Petroleum Pty Ltd)	(iii)	**100**	100
Ampol Petroleum Distributors Pty Ltd (formerly Caltex Petroleum Services Pty Ltd)	(iii)	**100**	100
Ampol Refineries (NSW) Pty Ltd (formerly Caltex Refineries (NSW) Pty Ltd)	(iii)	**100**	100
Ampol Refineries (Qld) Pty Ltd (formerly Caltex Refineries (Qld) Pty Ltd)	(iii)	**100**	100
Centipede Holdings Pty Ltd		**100**	100
Circle Petroleum (Q'land) Pty Ltd	(xv)(xii)	**100**	100
Cocks Petroleum Pty Ltd	(x)	**100**	100
Cooper & Dysart Pty Ltd		**100**	100
Graham Bailey Pty Ltd	(iii)	**100**	100
Gull New Zealand Ltd	(v)	**100**	100

Notes to the Financial Statements
F Group structure continued

FOR THE YEAR ENDED 31 DECEMBER 2020

F1 Controlled entities continued

		% Interest	
Name	**Note**	**2020**	**2019**
Hanietee Pty Ltd	(iii)	**100**	100
Hunter Pipe Line Company Pty Ltd	(iii)	**100**	100
Jayvee Petroleum Pty Ltd	(xv)(xii)	**100**	100
Jet Fuels Petroleum Distributors Pty Ltd	(iii)	**100**	100
Link Energy Pty Ltd		**100**	100
Manworth Pty Ltd		**100**	100
Newcastle Pipe Line Company Pty Ltd	(iii)	**100**	100
Northern Marketing Management Pty Ltd		**100**	100
Northern Marketing Pty Ltd	(iii)	**100**	100
Octane Insurance Pte Ltd	(ii)	**100**	100
Pilbara Fuels Pty Ltd		**100**	100
R & T Lubricants Pty Ltd	(iii)	**100**	100
Real FF Pty Ltd	(iii)	**100**	100
Ruzack Nominees Pty Ltd	(xii)	**-**	100
Sky Consolidated Property Pty Ltd		**100**	100
Solo Oil Australia Pty Limited		**100**	100
Solo Oil Corporation Pty Ltd	(xii)	**-**	100
Solo Oil Investments Pty Ltd	(iii)	**100**	100
Solo Oil Pty Ltd	(iii)	**100**	100
South Coast Oils Pty Ltd	(xv)(xii)	**100**	100
South East Queensland Fuels Pty Ltd		**100**	100
Sydney Metropolitan Pipeline Pty Ltd		**60**	60
Teraco Pty Ltd	(iv)	**50**	50
Terminals New Zealand Ltd	(v)	**100**	100
Tulloch Petroleum Services Pty Ltd	(xv)(xii)(iii)	**100**	100
Western Fuel Distributors Pty Ltd	(iv)	**50**	50
Zeal Achiever Ltd	(xiii)	**100**	100
Unit trusts			
Ampol Property Trust (formerly Caltex Real Estate Investment Trust)	(ix)	**51**	100
Eden Equity Unit Trust	(vi)	**100**	100
Petroleum Leasing Unit Trust	(vii)	**100**	100
Petroleum Properties Unit Trust	(vii)	**100**	100
South East Queensland Fuels Unit Trust	(viii)	**100**	100

(i) All companies are incorporated in Australia, except where noted otherwise.
(ii) Incorporated in Singapore.
(iii) These companies are parties to a Deed of Cross Guarantee dated 22 December 1992 as amended, varied and restated with Ampol and each other.
(iv) Included as controlled entities in accordance with AASB 10 Consolidated Financial Statements. In each case, control exists because a company within the Group has the ability to dominate the composition of the entity's Board of Directors or enjoys the majority of the benefits and is exposed to the majority of the risks of the entity.
(v) Incorporated in New Zealand.
(vi) Ampol Petroleum Distributors Pty Ltd is the sole unit holder.
(vii) Solo Oil Pty Ltd is the sole unit holder.
(viii) Ampol Australia Petroleum Pty Ltd and Ampol Petroleum Distributors Pty Ltd each own half of the units in this trust.
(ix) On 20 November 2020, a Charter Hall and GIC consortium acquired a 49% interest of Ampol Property Trust.
(x) Incorporated in Delaware, United States of America, on 12 November 2019.
(xi) Incorporated in Singapore, on 12 February 2019.
(xii) The directors of the companies listed above declared that the companies were solvent pursuant to section 494 of the *Corporations Act 2001*. The companies were wound up by their shareholders voluntarily on 20 December 2019.
(xiii) Australian tax resident incorporated in the British Virgin Islands.
(xiv) Incorporated in Australia, on 5 March 2020.
(xv) On 20 January 2021, the companies were deregistered with ASIC.

Notes to the Financial Statements
F Group structure continued

FOR THE YEAR ENDED 31 DECEMBER 2020

F1 Controlled entities continued

F1.1 Deed of Cross Guarantee

The parent entity has entered into a Deed of Cross Guarantee through which the Group guarantees the debts of certain controlled entities. The controlled entities that are party to the deed are shown in note F1.

Income Statement for entities covered by the Deed of Cross Guarantee

Millions of dollars	2020	2019(i)
Revenue	**11,996.3**	18,863.2
Cost of goods sold – historical cost	**(10,978.0)**	(17,390.4)
Gross profit	**1,018.3**	1,472.8
Other income(ii)	**897.1**	44.7
Other expense	**(434.8)**	-
Selling, distribution and general and administration expenses	**(1,380.5)**	(977.5)
Results from operating activities	**100.1**	540.0
Finance costs	**(109.7)**	(121.0)
Finance income	**0.6**	1.2
Net finance costs	**(109.1)**	(119.8)
Share of net profit of entities accounted for using the equity method	**10.7**	4.2
Profit before income tax expense	**1.7**	424.4
Income tax benefit/(expense)(iii)	**264.1**	(290.6)
Net profit	**265.8**	133.8
Items that will not be reclassified to profit or loss	**(0.3)**	2.5
Items that may be reclassified subsequently to profit or loss	**(0.1)**	(3.9)
Other comprehensive income for the period, net of income tax	**(0.4)**	(1.4)
Total comprehensive income for the period	**265.4**	132.4
Retained earnings at the beginning of the year	**2,417.6**	2,670.2
Adjustment adoption of AASB 16	**-**	13.8
Current year earnings	**265.8**	133.8
Movement in reserves	**(0.4)**	2.5
Shares bought back	**-**	(237.9)
Transactions with owners	**-**	74.2
Dividends provided for or paid	**(189.8)**	(239.0)
Retained earnings at the end of the year	**2,493.2**	2,417.6

(i) Comparative information has been restated to appropriately reflect the actual 2019 balances.

(ii) Other income includes profit on sale of $869.0 million on a 49% interest in an unlisted real estate property trust.

(iii) An income tax benefit arises in the Deed of Cross Guarantee group in the current period due to the sale of assets to the Ampol Property Trust. The gain on sale recorded for accounting purposes is larger than the taxable gain on this transaction creating a tax benefit in the Financial Statements.

Notes to the Financial Statements
F Group structure continued
FOR THE YEAR ENDED 31 DECEMBER 2020

F1 Controlled entities continued

F1.1 Deed of Cross Guarantee continued

Balance sheet for entities covered by the Deed of Cross Guarantee

Millions of dollars	2020	2019(i)
Current assets		
Cash and cash equivalents	**286.5**	24.8
Receivables	**1,037.4**	606.0
Inventories	**801.2**	1,186.7
Other	**49.7**	202.2
Total current assets	**2,174.8**	2,019.7
Non-current assets		
Receivables	**415.0**	54.0
Investments accounted for using the equity method	**173.0**	154.9
Ampol Property Trust investment	**728.5**	-
Other investments	**4.2**	19.2
Intangibles	**283.0**	295.6
Property, plant and equipment	**3,732.5**	3,522.1
Deferred tax assets	**443.5**	161.9
Employee benefits	**2.9**	4.0
Other	**43.5**	48.9
Total non-current assets	**5,826.1**	4,260.6
Total assets	**8,000.9**	6,280.3
Current liabilities		
Payables	**1,423.4**	1,247.3
Interest-bearing liabilities	**230.9**	217.6
Current tax liabilities	**169.6**	97.0
Employee benefits	**65.1**	50.5
Provisions	**173.0**	81.4
Total current liabilities	**2,062.0**	1,693.8
Non-current liabilities		
Payables	**16.0**	21.3
Interest-bearing liabilities	**2,415.0**	1,361.9
Deferred tax liabilities	**9.7**	-
Employee benefits	**39.9**	40.5
Provisions	**484.0**	242.9
Total non-current liabilities	**2,964.6**	1,666.6
Total liabilities	**5,026.6**	3,360.4
Net assets	**2,974.3**	2,919.9
Equity		
Issued capital	**502.6**	502.6
Treasury stock	**(1.6)**	(2.0)
Reserves	**(19.9)**	1.7
Retained earnings	**2,493.2**	2,417.6
Total equity	**2,974.3**	2,919.9

(i) Comparative information has been restated to appropriately reflect the actual 2019 balances.

Notes to the Financial Statements
F Group Structure continued

FOR THE YEAR ENDED 31 DECEMBER 2020

F2 Business combinations

There were no material business combinations during the years ended 31 December 2020 or 31 December 2019.

F3 Equity-accounted investees

Associates are those entities over whose financial and operating policies the Group has significant influence, but not control. Joint ventures are those entities whose financial and operating policies the Group has joint control over and where the Group has rights to the net assets of the entity.

The Consolidated Financial Statements include the Group's share of the total recognised gains and losses of associates and joint ventures on an equity-accounted basis, from the date that significant influence or joint control commences until the date that it ceases. When the Group's share of losses exceeds the carrying amount of the associate or joint venture, the carrying amount is reduced to nil and recognition of future losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

Other movements in reserves are recognised directly in the consolidated reserves.

Unrealised gains arising from transactions with associates and joint ventures are eliminated to the extent of the Group's interest in the entity. Unrealised losses arising from transactions with associates and joint ventures are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

F3.1 Investments in associates and joint ventures

		% Interest	
Name	**Country of incorporation**	**2020**	**2019**
Investments in associates			
Seaoil Philippines Inc.	Philippines	**20**	20
Geraldton Fuel Company Pty Ltd	Australia	**50**	50
Bonney Energy (Tasmania) Pty Ltd (formerly 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, Ampol Australia Petroleum Pty Ltd converted its $15.0 million 2016 convertible note to a 50% equity interest in Bonney Energy (Tasmania) Pty Ltd. The carrying amount of this investment at 31 December 2020 was $15.6 million.

(ii) Australasian Lubricants Manufacturing Company Pty Ltd ceased joint venture operations on 17 April 2015 and had a nil carrying value at 31 December 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
F Group structure continued

FOR THE YEAR ENDED 31 DECEMBER 2020

F3 Equity-accounted investees continued

F3.2 Investments in associates

Millions of dollars	Revenue (100%)	Profit (100%)	Share of associates' net profit recognised	Total assets (100%)	Total liabilities (100%)	Net assets as reported by associates (100%)	Share of associates net assets equity accounted	Elimination of unrealised loss in inventories	Goodwill	Total share of associates' net assets equity accounted
2020	**1,562.6**	**46.3**	**10.7**	**604.5**	**332.2**	**272.4**	**72.3**	**0.1**	**99.8**	**172.2**
2019	1,651.6	14.1	4.2	610.2	395.5	214.7	50.7	0.2	103.2	154.1

F3.3 Investments in joint ventures

Millions of dollars	Revenue (100%)	Profit (100%)	Share of joint ventures' net profit recognised	Total assets (100%)	Total liabilities (100%)	Net assets as reported by joint venture (100%)	Share of joint ventures' net assets equity accounted
2020	**5.0**	**-**	**-**	**1.9**	**-**	**1.9**	**0.8**
2019	10.5	-	-	4.7	2.8	1.9	0.8

F4 Joint operations

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

The interests of the Group in unincorporated joint operations are brought to account by recognising in its Financial Statements the assets it controls and the liabilities it incurs, and the revenue and expenses it incurs and share of income it earns from the the sale of goods or services by the joint operation.

The Group has joint interests in multiple Joint User Hydrant Installations (JUHIs), which are based at airports across Australia. The Group's interest in the JUHIs ranges from 20% to 50%. The principal activity of the JUHIs is refuelling aircraft at the airports.

On 1 October 2020, the Group sold its interest in the Sydney JUHI for net proceeds on the sale of $24.8 million with a net gain on disposal of $21.2 million.

For the year ended 31 December 2020, the contribution of the JUHIs to the operating profit of the Group was nil (2019: nil). Included in the assets and liabilities of the Group are the Group's interests in the assets and liabilities employed in the joint operation.

Millions of dollars	2020	2019
Non-current assets		
Plant and equipment	**62.7**	84.1
Less: accumulated depreciation	**(23.3)**	(38.1)
Total non-current assets	**39.4**	46.0
Total assets	**39.4**	46.0

Notes to the Financial Statements
F Group structure continued

FOR THE YEAR ENDED 31 DECEMBER 2020

F5 Parent entity disclosures

As at and throughout the financial year ended 31 December 2020, the parent entity of the Group was Ampol Limited.

Millions of dollars	2020	2019(i)
Result of the parent entity		
Profit for the period	**201.0**	284.3
Other comprehensive income/(loss)	**16.5**	(18.6)
Total comprehensive income for the period	**217.5**	265.7
Financial position of parent entity at year end		
Current assets	**29.8**	122.2
Total assets	**5,668.7**	6,536.0
Current liabilities	**108.4**	239.0
Total liabilities	**5,098.3**	6,050.2
Total equity of the parent entity comprising		
Issued capital	**502.6**	502.6
Treasury stock	**(1.6)**	(2.0)
Reserves	**(18.8)**	(18.0)
Retained earnings	**88.2**	3.2
Total equity	**570.4**	485.8

(i) Comparative information has been restated to appropriately reflect the actual 2019 balances.

Parent entity guarantees in respect of the debts of its subsidiaries

The parent entity has entered into a Deed of Cross Guarantee with the effect that each company agrees to guarantee all of the debts (in full) of all companies that are parties to the deed subject to, and in accordance with, the terms set out in the deed.

Further details of the Deed of Cross Guarantee and the subsidiaries subject to the deed are disclosed in note F1.

The bank guarantee and letter of credit arrangements provided by the parent entity are consistent with those held by the Group as disclosed in note G2.

Notes to the Financial Statements
F Group structure continued
FOR THE YEAR ENDED 31 DECEMBER 2020

F6 Non-controlling interest disclosures

Presented below is the financial information of the Group relating to Ampol Property Trust. This subsidiary of the Group has a non-controlling interest (NCI) which is material to the Group. The information below is before the elimination of intercompany transactions with the exception of the fair value adjustment that the Ampol Property Trust recorded in relation to the investment properties acquired. This fair value adjustment is not recognised in the Consolidated Group accounts and is therefore not reflected in the Net assets attributable to NCI shown in the Consolidated Financial Statements.

Millions of dollars	2020 Ampol Property Trust (i)
NCI percentage	**49%**
Balance sheet	
Current assets	**7.0**
Non-current assets	**522.9**
Current liabilities	**(0.9)**
Non-current liabilities	**-**
Net assets attributable to unit holders	**529.0**
Net assets attributable to NCI(ii)	**259.2**
Income Statement	
Revenue	**8.9**
Expenses	**(0.2)**
Total comprehensive income for the year	**8.7**
Profit allocated to NCI	**4.3**
Statement of cash flows	
Cash flows from operating activities	**2.7**
Cash flows from investing activities	**(700.9)**
Cash flows from financing activities	**698.2**
Net increase (decrease) in cash held	**0.0**
Transactions with non-controlling interests	
Profit allocated to non-controlling interests(iii)	**4.3**
Distributions paid to non-controlling interests(iv)	**(1.2)**

(i) On 20 November 2020, the Group sold a 49% interest in the unlisted real estate property trust to a Charter Hall and GIC consortium.
(ii) Net assets to other non-controlling interests was $14.4 million (2019: $13.5 million) with total net assets of all non-controlling interests ($273.6 million).
(iii) Profit allocated to other non-controlling interests was $0.8 million (2019: $1.0 million) with total profit allocated to all non-controlling interests of $5.1 million.
(iv) Dividends paid to other non-controlling interests were nil (2019: $0.6 million).

Notes to the Financial Statements
G Other information

FOR THE YEAR ENDED 31 DECEMBER 2020

This section includes other information to assist in understanding the financial performance and position of the Group, or items to be disclosed to comply with accounting standards and other pronouncements.

G1 Commitments

Capital expenditure

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

On 25 August 2020, Ampol announced, after successfully applying to a tender with Transport for New South Wales that Ampol had won the right to lease and redevelop four existing highway service centres located on the M4 Motorway at Eastern Creek and on the M31 Hume Highway at Pheasants Nest. The estimated redevelopment capital expenditure of ~$100 million is expected to be contracted and spent across 2021 and 2022.

G2 Contingent liabilities

Discussed below are items where either it is not probable that the Group will have to make future payments or the amounts of the future payments are not able to be measured.

Legal and other claims

In the ordinary course of business, the Group is involved as a plaintiff or defendant in legal proceedings. Where appropriate, Ampol takes legal advice. The Group does not consider that the outcome of any current proceedings is likely to have a material effect on its operations or financial position.

A liability has been recognised for any known losses expected to be incurred where such losses are capable of reliable measurement.

Bank guarantees

The Group has entered into letters of credit in the normal course of business to support crude and product purchase commitments and other arrangements entered into with third parties. In addition, the Group has granted indemnities to banks to cover bank guarantees given on behalf of controlled entities. The probability of having to make a payment under these arrangements is remote.

Deed of Cross Guarantee and class order relief

Details of the Deed of Cross Guarantee are disclosed in note F1.

G3 Related party disclosures

Associates

In 2020, the Group sold petroleum products to associates totalling $712,897,000 (2019: $407,088,000). The Group received income from associates for rental income of $2,119,000 (2019: $938,000).

Details of associates are set out in note F3. Amounts receivable from associates are set out in note C1. Dividend and disbursement income from associates is $1,877,000 (2019: $1,815,000).

The Group has interests in associates primarily for the marketing, sale and distribution of fuel products. Details of the Group’s interests are set out in note F3.

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 other material related party transactions with the Group’s joint arrangements entities during 2020 (2019: nil). Details of the Group's interests are set out in notes F3 and F4.

Notes to the Financial Statements
G Other information continued

FOR THE YEAR ENDED 31 DECEMBER 2020

G4 Key Management Personnel

The Key Management Personnel of the Group during 2020 and 2019 were:

Current Directors

- Steven Gregg, Chairman and Independent Non-executive Director
- Matthew Halliday, Managing Director and Chief Executive Officer
- Mark Chellew, Independent Non-executive Director
- Melinda Conrad, Independent Non-executive Director
- Michael Ihlein, Independent Non-executive Director (from 1 June 2020)
- Gary Smith, Independent Non-executive Director (from 1 June 2020)
- Barbara Ward AM, Independent Non-executive Director
- Penny Winn, Independent Non-executive Director

Former Directors

- Bruce Morgan, Independent Non-executive Director (to 13 May 2020)

Senior Executives

- Matthew Halliday, Managing Director and Chief Executive Officer (appointed Interim Chief Executive Officer from 2 March 2020 and then formally Managing Director and Chief Executive Officer from 29 June 2020)
- Jeffrey Etherington, Interim Chief Financial Officer (from 2 March 2020)
- Andrew Brewer, Executive General Manager, Infrastructure (from 1 December 2020)
- Brent Merrick, Executive General Manager, Commercial (from 28 September 2020)
- Joanne Taylor, Executive General Manager, Retail, Brand and Culture (from 1 April 2019)

Former Senior Executives

- Julian Segal, Managing Director and Chief Executive Officer (to 1 March 2020)
- Louise Warner, Chief Commercial Officer (to 27 September 2020)

Key Management Personnel compensation

Thousands of dollars	2020	2019
Short-term benefits	**6,421.2**	7,309.3
Other long-term benefits	**138.3**	139.7
Post-employment benefits	**268.3**	342.2
Termination benefits	**1,311.8**	1,103.3
Retention payments	**2,655.1**	-
Share-based payments	**299.9**	2,514.2
Total Key Management Personnel compensation	**11,094.6**	11,408.7

Information regarding Directors' and Executives' compensation and some equity instrument disclosures is provided in the Remuneration Report section of the Directors' Report.

Notes to the Financial Statements
G Other information continued

FOR THE YEAR ENDED 31 DECEMBER 2020

G5 Notes to the cash flow statement

G5.1 Reconciliation of cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the Consolidated Cash Flow Statement.

For the purposes of the cash flow statement, cash and cash equivalents includes:

Millions of dollars	2020	2019
Cash at bank	**367.6**	35.0
Total cash and cash equivalents	**367.6**	35.0

G5.2 Reconciliation of net profit to net operating cash flows

Millions of dollars	2020	2019(i)
Net (loss)/profit	**(484.9)**	383.8
Adjustments for:		
Loss/(gain) on sale of property, plant and equipment	**0.2**	(44.7)
Impairment of fixed assets	**393.3**	-
Impairment of intangible assets	**20.1**	-
Finance charges on leases	**57.2**	58.6
Interest paid capitalised	**(0.3)**	(0.1)
Amortisation of finance costs	**3.9**	0.3
Depreciation of property, plant and equipment	**394.3**	360.3
Amortisation of intangibles	**28.0**	27.1
Treasury stock movements net of expense	**(1.6)**	1.5
Share of associates' and joint ventures' net profit	**(10.7)**	(4.2)
Movements in assets and liabilities:		
Decrease/(increase) in receivables	**625.6**	(295.9)
Decrease/(increase) in inventories	**775.9**	(493.4)
(Increase)/decrease in other assets	**(11.3)**	25.8
(Decrease)/increase in payables	**(1,416.0)**	968.7
(Decrease)/increase in current tax balances	**(28.1)**	56.6
(Increase)/decrease in deferred tax assets	**(271.9)**	7.5
Increase/(decrease) in provisions	**350.0**	(20.7)
Interest and other finance costs paid	**(100.9)**	(113.1)
Income taxes paid	**(55.2)**	(73.8)
Net operating cash inflows	**267.6**	844.3

(i) Comparative information has been restated to appropriately reflect the actual 2019 balances.

Notes to the Financial Statements
G Other information continued

FOR THE YEAR ENDED 31 DECEMBER 2020

G6 Auditor remuneration

Thousands of dollars	2020	2019
Audit and review services		
Auditors of the Group - KPMG		
Audit and review of financial statements – Group	**1,492.9**	1,573.2
Audit and review of financial statements – controlled entities	**173.9**	175.5
	1,666.8	1,748.7
Assurance services		
Auditors of the Group – KPMG		
Regulatory assurance services	**31.5**	19.6
Other assurance services	**10.1**	112.5
	41.6	132.1
Other services		
Auditors of the Group – KPMG		
Taxation advice and tax compliance services	**14.5**	52.5
Other services(i)	**559.5**	28.4
	574.0	80.9

(i) Other services include transaction services in respect of Ampol's disposal of a 49% interest in certain freehold convenience retail sites and remuneration benchmarking services.

G7 Net tangible assets per share

Millions of dollars	2020	2019(i)
Net tangible assets per share	**11.77**	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 less intangible assets. The number of ordinary shares used in the calculation of net tangible assets per share was 249.7 million (2019: 249.7 million).

G8 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2021 and have not been applied in preparing these Consolidated Financial Statements. None of these are expected to have a significant effect on the Consolidated Financial Statements of the Group.

G9 Events subsequent to the end of the year

On 22 January 2021, the Group completed an Off-market Buy-back of 11,404,848 shares at a price of $26.34 per share which included a capital component of $2.01 per share. The total amount paid for the buy back was $300.4 million and the impact of this transaction on the issued share capital of the Company was to reduce it by $22.9 million with the remainder from retained earnings. The number of issued shares post the buy back is 238.3 million.

On 22 February 2021, the Directors declared a fully franked final 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.

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 31 December 2020 to the date of this report.