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 2021 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

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Julian McPherson
Partner

Sydney
21 February 2022

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Directors' Declaration

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

a) the Financial Statements and notes that are contained in pages 81 to 135 and the Remuneration Report set out on pages 43 to 73 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 2021 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 2021.

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 Group Chief Financial Officer for the financial year ended 31 December 2021.

Signed in accordance with a resolution of the Directors:

Steven Gregg
Chairman

Matthew Halliday
Managing Director & Chief Executive Officer
Sydney, 21 February 2022

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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 2021 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:

- Consolidated balance sheet as at 31 December 2021
- Consolidated income statement, Consolidated statement of comprehensive income, Consolidated statement of changes in equity and consolidated cash flow statement for the year 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 these requirements.

Key Audit Matters

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

- Taxation of Singaporean entities
- Site remediation and dismantling provisions

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.

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Taxation of Singaporean entities (A$208.7m)	
Refer to Note E1 to the Financial Report	
The key audit matter	**How the matter was addressed in our audit**
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.	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.

Site remediation and dismantling provisions (A$518.1m)	
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	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, third party expert advice 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;

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• The expected timing of the expenditure.	• Working with our environmental specialists, we: ○ evaluated the scope, competence, experience and objectivity of the Group's internal and external experts; ○ assessed the nature and quantum of cost estimates in third party expert advice, including contingency levels, against the industry guidelines and standard practice; ○ 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.

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.

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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 2021, 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 47 to 69 of the Directors' report for the year ended 31 December 2021.

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

21 February 2022

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Contents

Consolidated Income Statement
For the year ended 31 December 2021

Millions of dollars	Note	2021	2020
Revenue	B1	**21,629.9**	15,409.1
Cost of goods sold – historical cost		**(19,389.8)**	(14,203.3)
Gross profit		**2,240.1**	1,205.8
Other income	B1	**53.3**	28.0
Other expenses	B2	**(50.4)**	(434.8)
Net foreign exchange gain		**13.6**	39.1
Selling and distribution expenses		**(1,150.3)**	(1,125.7)
General and administration expenses		**(207.8)**	(339.6)
Profit/(loss) from operating activities		**898.5**	(627.2)
Finance costs		**(113.1)**	(109.7)
Finance income		**0.4**	0.6
Net finance costs	B2	**(112.7)**	(109.1)
Share of net profit of entities accounted for using the equity method	F3	**11.3**	10.7
Profit/(loss) before income tax expense		**797.1**	(725.6)
Income tax (expense)/benefit	E1	**(199.6)**	245.8
Net profit/(loss)		**597.5**	(479.8)
Profit/(loss) attributable to:			
Equity holders of the parent entity		**560.0**	(484.9)
Non-controlling interest	F6	**37.5**	5.1
Net profit/(loss)		**597.5**	(479.8)
Basic and diluted historical earnings/(loss) per share			
Cents per share - basic	B4	**234.2**	(194.2)
Cents per share - diluted	B4	**233.5**	(194.2)

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 2021

Millions of dollars	Note	2021	2020
Profit/(loss) for the period		**597.5**	(479.8)
Other comprehensive income			
Items that will not be reclassified to income statement:			
Actuarial gain/(loss) on defined benefit plans		**3.5**	(0.4)
Tax (expense)/benefit on items that will not be reclassified to income statement	E2.2	**(1.1)**	0.1
Total items that will not be reclassified to income statement		**2.4**	(0.3)
Items that may be reclassified subsequently to income statement:			
Foreign operations – foreign currency translation differences		**40.6**	(13.7)
Net change in fair value of net investment hedges		**-**	1.6
Effective portion of changes in fair value of cash flow hedges		**106.7**	24.0
Net change in fair value of cash flow hedges reclassified to income statement		**(88.8)**	(22.1)
Tax on items that may be reclassified subsequently to income statement		**(5.4)**	(2.0)
Total items that may be reclassified subsequently to income statement		**53.1**	(12.2)
Other comprehensive income/(loss) for the period, net of income tax		**55.5**	(12.5)
Total comprehensive income/(loss) for the period		**653.0**	(492.3)
Attributable to:			
Equity holders of the parent entity		**615.5**	(497.4)
Non-controlling interest	F6	**37.5**	5.1
Total comprehensive income/(loss) for the period		**653.0**	(492.3)

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

Consolidated Balance Sheet

As at 31 December 2021

Millions of dollars	Note	2021	2020(i)
Current assets			
Cash and cash equivalents		**566.3**	367.6
Trade and other receivables	C1	**1,576.2**	936.1
Inventories	C2	**2,064.9**	1,354.3
Total current assets		**4,207.4**	2,658.0
Non-current assets			
Trade and other receivables	C1	**41.5**	46.0
Investments accounted for using the equity method	F3	**184.0**	177.2
Intangibles	C3	**506.3**	558.4
Property, plant and equipment	C4	**3,564.7**	3,467.7
Deferred tax assets	E2	**344.2**	453.8
Employee benefits		**5.6**	2.9
Total non-current assets		**4,646.3**	4,706.0
Total assets		**8,853.7**	7,364.0
Current liabilities			
Payables	C5	**2,370.2**	1,535.2
Interest-bearing liabilities	D1	**159.6**	160.2
Current tax liabilities		**129.6**	90.7
Employee benefits		**129.8**	98.9
Provisions	C6	**104.9**	178.7
Total current liabilities		**2,894.1**	2,063.7
Non-current liabilities			
Payables	C5	**12.8**	16.0
Interest-bearing liabilities	D1	**2,104.0**	1,555.5
Deferred tax liabilities	E2	**21.0**	9.7
Employee benefits		**5.1**	6.1
Provisions	C6	**469.9**	488.3
Total non-current liabilities		**2,612.8**	2,075.6
Total liabilities		**5,506.9**	4,139.3
Net assets		**3,346.8**	3,224.7
Equity			
Issued capital	D6	**479.7**	502.6
Treasury stock		**(1.5)**	(1.6)
Reserves	D7	**65.5**	5.6
Retained earnings		**2,531.0**	2,444.5
Total parent entity interest		**3,074.7**	2,951.1
Non-controlling interest	F6	**272.1**	273.6
Total equity		**3,346.8**	3,224.7

(i) The prior period has been restated to reflect changes made in the current period to current and non-current classifications. Refer to Note A4 for further information on the reclassification of Long Service Leave Liabilities.

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 2021

Millions of dollars	Issued capital	Treasury Stock	Reserves (i)	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 January 2021	**502.6**	**(1.6)**	**5.6**	**2,444.5**	**2,951.1**	**273.6**	**3,224.7**
Change in accounting policy(ii)	-	-	-	(19.7)	(19.7)	-	(19.7)
Restated balance at 1 January 2021	**502.6**	**(1.6)**	**5.6**	**2,424.8**	**2,931.4**	**273.6**	**3,205.0**
Profit for the year	-	-	-	560.0	560.0	37.5	597.5
Total other comprehensive income	-	-	53.1	2.4	55.5	-	55.5
Total comprehensive income for the year	-	-	53.1	562.4	615.5	37.5	653.0
Acquisition of minority interest, net of tax	-	-	3.5	-	3.5	(3.5)	-
Proceeds from non-controlling interest purchase of units in Ampol Property Trust	-	-	-	-	-	6.0	6.0
Ampol Property Trust - distribution	-	-	-	-	-	(40.3)	(40.3)
Own shares acquired	-	(2.4)	-	-	(2.4)	-	(2.4)
Shares vested to employees, net of tax	-	2.5	(1.8)	-	0.7	-	0.7
Expense on equity settled transactions, net of tax	-	-	5.1	-	5.1	-	5.1
Shares bought back(iii)	(22.9)	-	-	(277.5)	(300.4)	-	(300.4)
Dividends to shareholders	-	-	-	(178.7)	(178.7)	(1.2)	(179.9)
Balance at 31 December 2021	**479.7**	**(1.5)**	**65.5**	**2,531.0**	**3,074.7**	**272.1**	**3,346.8**
Balance at 1 January 2020	502.6	(2.0)	19.4	2,737.0	3,257.0	13.5	3,270.5
(Loss)/profit for the year	-	-	-	(484.9)	(484.9)	5.1	(479.8)
Total other comprehensive (loss)/income	-	-	(12.2)	(0.3)	(12.5)	-	(12.5)
Total comprehensive (loss)/income for the year	-	-	(12.2)	(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	-	(0.4)	-	-	(0.4)	-	(0.4)
Shares vested to employees, net of tax	-	0.8	(0.2)	-	0.6	-	0.6
Expense on equity settled transactions, net of tax	-	-	(1.4)	-	(1.4)	-	(1.4)
Dividends to shareholders	-	-	-	(189.8)	(189.8)	-	(189.8)
Balance at 31 December 2020	502.6	(1.6)	5.6	2,444.5	2,951.1	273.6	3,224.7

(i) Refer to Note D7 for further information.

(ii) Adjustment on application of the IFRS Interpretation Committee decision on cloud computing arrangements, refer to Note A4 for further details.

(iii) 11,404,848 shares were bought back during the year ended 31 December 2021.

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 2021

Millions of dollars	Note	2021	2020
Cash flows from operating activities			
Receipts from customers		**28,642.9**	23,267.0
Payments to suppliers, employees and governments		**(27,865.4)**	(22,845.0)
Shares acquired for vesting employee benefits		**(2.4)**	(0.4)
Dividends and distributions received		**2.0**	1.8
Interest received		**0.4**	0.3
Finance costs paid		**(49.8)**	(43.7)
Lease interest		**(54.9)**	(57.2)
Income taxes paid		**(38.2)**	(55.2)
Net operating cash inflows	G5.2	**634.6**	267.6
Cash flows from investing activities			
Net proceeds from sale of investments		**-**	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)
Purchase of investment in associate	F3.1	**(1.5)**	-
Purchases of property, plant and equipment		**(272.9)**	(140.3)
Major cyclical maintenance		**(34.0)**	(64.4)
Purchases of intangibles		**(17.3)**	(21.9)
Proceeds from sale of property, plant and equipment, net of selling costs		**6.5**	9.2
Net investing cash (outflows)/inflows		**(319.2)**	462.6
Cash flows from financing activities			
Proceeds from borrowings		**8,429.8**	9,675.9
Repayments of borrowings		**(7,929.8)**	(9,769.0)
Repayment of lease principal		**(106.3)**	(107.7)
Payments for shares bought back		**(300.4)**	-
Proceeds from non-controlling interest purchase of units in Ampol Property Trust	F6	**6.0**	-
Distributions/dividends paid to non-controlling interest	F6	**(41.5)**	(1.2)
Dividends paid	B5	**(178.7)**	(189.8)
Net financing cash outflows		**(120.9)**	(391.8)
Net increase in cash and cash equivalents		**194.5**	338.4
Effect of exchange rate changes on cash and cash equivalents		**4.2**	(5.8)
Increase in cash and cash equivalents		**198.7**	332.6
Cash and cash equivalents at the beginning of the period		**367.6**	35.0
Cash and cash equivalents at the end of the period	G5.1	**566.3**	367.6

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 2021

A1 Reporting entity

Ampol Limited ("Ampol" or the "Company") is a for-profit company, incorporated and domiciled in Australia. The Consolidated Financial Statements for the year ended 31 December 2021 comprise 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 primarily involved in the purchase, refining, distribution and marketing of petroleum products and the operation of convenience stores.

A2 Basis of preparation

The financial report was approved by the Ampol Board on 21 February 2022.

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 financial report also complies with International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board (IASB).

The 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 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 financial report and Directors' Report have been rounded to the nearest hundred thousand dollars, unless otherwise stated.

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 2022 have not been applied in preparing this financial report. 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 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.

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 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.

A4 Changes in significant accounting policies

Government grants

The introduction of the Temporary Refinery Production Package (TRPP) for Lytton refinery and the Australian Renewable Energy Agency (ARENA) grant relating to the roll out of EV charging stations has led to the receipt of government grants in the current reporting period. Consequently, the accounting treatment applied to government grants, *AASB 120 Accounting for Government Grants and Disclosure of Government Assistance*, is now considered a significant accounting policy of the Group.

Notes to the Financial Statements continued

A Overview continued

For the year ended 31 December 2021

A4 Changes in significant accounting policies continued

Government grants continued

The Group recognises grants only when there is reasonable assurance that the Group will comply with any conditions attached to the grant and that the grant will be received.

Government grant related to income

The TRPP grant was a one-off grant to assist refiners in the peak of COVID-19 and its impact on production and operating profits. The receipt of this grant has been recognised as income over the period in which the related costs or revenue shortfall, for which they are intended to compensate, are recognised. The Group presents these government grants separately in 'other income'. A consistent approach will be taken should the Group receive any grants under the Fuel Security Services Payment, which would be provided to the Group should Australian dollar refining margins fall below the Government's external marker margin.

Government grant related to assets

The Group may present government grants related to assets in the statement of financial position as either deferred income and amortised to the Consolidated Income Statement over the asset's useful life or as a reduction to the capital cost of the asset, reducing depreciation recorded over the asset's useful life. The Group has elected to treat the ARENA grant of $7 million, which is a grant to support the rollout of EV charging stations to Ampol forecourts, as a reduction to the capital cost of the assets.

Cloud computing arrangements

In April 2021, the International Financial Reporting Standards Interpretations Committee (IFRIC) issued a final agenda decision, "Configuration or Customisation Costs in a Cloud Computing Arrangement". The decision clarified whether configuration or customisation expenditure relating to cloud computing arrangements could be recognised as an intangible asset, and if not, over what time period the expenditure should be expensed.

During the period, the Company revised its accounting policy in relation to configuration and customisation costs incurred in implementing cloud computing arrangements in response to the IFRIC agenda decision. The new accounting policy is presented below.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses. Costs related to access, configuration, and customisation of cloud computing arrangements are recognised as an operating expense.

Impact on adoption

Historically, the Group's accounting policy has been to capitalise costs related to cloud computing configuration and customisation as software intangible assets in the balance sheet. On adoption of the change in policy, the group has concluded that the impact on the financial statements for the year ended 31 December 2020 was immaterial and no adjustment has been made to the comparatives presented in this report. In relation to the adoption of the change in treatment from 1 January 2021 the following adjustments have been made:

Balance Sheet

The capitalised value of costs incurred to implement, customise or configure a cloud provider's application software included in the Group's balance sheet was $28.2 million at 31 December 2020 ($27.6 million at 31 December 2019). The Group has recognised the write off of the cumulative capitalised costs as an opening retained earnings adjustment resulting in a decrease in net assets and a decrease in retained earnings as at 1 January 2021 of $19.7 million after tax ($28.2 million before tax).

Income Statement

For the 31 December 2021 year the change in policy has resulted in an additional $3.8 million of costs being expensed and a reduction in amortisation expense of $3.9 million. In aggregate there has been a net decrease in expenses of $0.1 million.

Cashflow

Adoption of the new treatment has resulted in a change in classification of expenditure with additions of $3.9 million that would previously have been classified within 'investing activities' as 'payments for intangibles' reclassified to 'cash payments in the course of operations' within 'operating activities' for the year ended 31 December 2021.

Comparatives

Where applicable, various comparative balances have been reclassified to align with current period presentation.

Employee benefits

Historically, the Group has classified long service leave as either current or non-current based on the amounts which are expected to be settled within 12 months and those expected to be settled beyond the next 12 months. In the current period the Group has presented the current and non-current portions based on the legal obligation that the Group has for services performed up to the balance date. The non-current portion has been measured as the present value of expected future payments to be made in respect of services provided by employees up to period end in accordance with *AASB 119 Employee Benefits*. Accordingly, the comparative information presented for 31 December 2020 has been reclassified to align with current period presentation resulting in an increase in current provisions and a corresponding decrease in non-current provisions of $33.8 million.

B Results for the year

For the year ended 31 December 2021

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

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, some 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 2021 in relation to this contract asset is $38.6 million (2020: $41.9 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. 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

Government grants

Refer to Note A4 for details on government grant accounting treatment.

Net gain on disposal of property, plant and equipment and sale of investments

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 has been transferred to the buyer.

Notes to the Financial Statements continued

B Results for the year continued

For the year ended 31 December 2021

B1 Revenue and other income continued

Millions of dollars	2021	2020
Revenue		
Sale of goods	**21,420.9**	15,175.6
Other revenue		
Rental income	**19.5**	22.0
Transaction and merchant fees	**102.9**	123.6
Other	**86.6**	87.9
Total other revenue	**209.0**	233.5
Total revenue	**21,629.9**	15,409.1
Other income		
Government assistance – wage support(i)	**0.8**	6.8
Government assistance - refinery(ii)	**40.0**	-
Net gain on sale of investments	**12.5**	21.2
Total other income	**53.3**	28.0

(i) Relates to COVID-19 government wage support of $0.8 million (2020: $6.8 million) received from the Australian and Singapore government programs. In FY20 wage support was received from the Australian, New Zealand and Singapore governments.

(ii) A total of $40.0 million was recognised under the Temporary Refinery Production Program during 2021. No amounts were received under the Fuel Security Services Payment program. Refer to Note A4 for further information.

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 relevant asset. 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	2021	2020
Finance costs			
Interest expense		**56.7**	43.4
Finance charges on leases		**54.9**	57.2
Unwinding of discount on provisions		**1.6**	9.4
Less: capitalised finance costs		**(0.1)**	(0.3)
Finance costs		**113.1**	109.7
Finance income		**(0.4)**	(0.6)
Net finance costs		**112.7**	109.1
Depreciation and amortisation			
Depreciation of:			
Buildings	C4	**14.7**	18.2
Leasehold property	C4	**146.1**	148.1
Plant and equipment	C4	**203.1**	228.0
		363.9	394.3
Amortisation of:			
Intangibles	C3	**17.1**	27.9
Total depreciation and amortisation		**381.0**	422.2
Personnel expenses		**578.2**	542.3
Other expenses			
Net loss on disposal of property, plant and equipment		**15.2**	21.4
Impairment of non-current assets	C3, C4	**44.2**	413.4
Impairment reversal of non-current assets	C4	**(9.0)**	-
Total other expenses		**50.4**	434.8

Notes to the Financial Statements continued

B Results for the year continued

For the year ended 31 December 2021

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 finance 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 (RCOP) 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 (RCOP EBIT) 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 RCOP EBIT excluding significant items, 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 fuel 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 Group's international businesses. This includes Lytton refining, Bulk Fuels sales, Trading and Shipping, Infrastructure, Future Energy 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.

B3 Segment reporting continued

B3.2 Information about reportable segments

	Convenience Retail		Fuels and Infrastructure		Total operating segments	
Millions of dollars	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
External segment revenue	**4,648.4**	4,070.2	**16,981.5**	11,338.9	**21,629.9**	15,409.1
Inter-segment revenue	**-**	-	**2,839.6**	2,176.1	**2,839.6**	2,176.1
Total segment revenue	**4,648.4**	4,070.2	**19,821.1**	13,515.0	**24,469.5**	17,585.2
Total other income	**-**	0.3	**40.8**	27.7	**40.8**	28.0
RCOP EBIT excluding foreign exchange and significant items(i)	**253.7**	287.4	**372.9**	124.5	**626.6**	411.9
RCOP foreign exchange gain	**-**	-	**44.7**	29.9	**44.7**	29.9
RCOP EBIT excluding significant items(i)	**253.7**	287.4	**417.6**	154.4	**671.3**	441.8
Other material items:						
Share of profit of associates and joint ventures	**-**	-	**11.3**	10.7	**11.3**	10.7
Impairment of non-current assets	**(21.2)**	(305.8)	**-**	(88.6)	**(21.2)**	(394.4)
Depreciation and amortisation	**(176.3)**	(210.2)	**(182.3)**	(183.4)	**(358.6)**	(393.6)
Inventory gain	**-**	-	**313.5**	(513.8)	**313.5**	(513.8)
Capital expenditure(ii)	**(97.6)**	(62.1)	**(139.5)**	(135.1)	**(237.1)**	(197.2)

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

Millions of dollars	**2021**	**2020**
Revenues		
Total revenue for reportable segments	**24,469.5**	17,585.2
Elimination of inter-segment revenue	**(2,839.6)**	(2,176.1)
Consolidated revenue	**21,629.9**	15,409.1
Profit or loss		
Segment RCOP EBIT excluding significant items(i)	**671.3**	441.8
Other expenses	**(40.1)**	(40.6)
RCOP before interest and income tax, excluding significant items	**631.2**	401.2
Significant items loss excluded from profit or loss (before tax)	**(34.9)**	(503.9)

(i) RCOP (on a pre- and post-tax basis) is a non-International Financial Reporting Standards (IFRS) measure and is unaudited. 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. 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 and purchase of intangible software (excludes intangible rights and licences).

Notes to the Financial Statements continued

B Results for the year continued

For the year ended 31 December 2021

B3 Segment reporting continued

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

Millions of dollars	2021	2020
RCOP before interest and income tax	**596.3**	(102.7)
Inventory gain/(loss) before tax	**313.5**	(513.8)
Consolidated historical cost profit/(loss) before interest and income tax	**909.8**	(616.5)
Net financing costs	**(112.7)**	(109.1)
Consolidated profit/(loss) before income tax	**797.1**	(725.6)
RCOP income tax expense	**(116.1)**	(75.2)
Significant items tax benefit	**10.5**	166.9
Inventory tax (expense)/benefit	**(94.0)**	154.1
Consolidated historical cost income tax (expense)/benefit	**(199.6)**	245.8
Net profit/(loss)	**597.5**	(479.8)
Profit/(loss) attributable to:		
Non-controlling interest	**37.5**	5.1
Equity holders of the parent entity	**560.0**	(484.9)
Net profit/(loss)	**597.5**	(479.8)
Significant items excluded from profit or loss reported to the chief operating decision maker:		
Ampol rebranding expense	**(51.3)**	(65.6)
Other income	**0.8**	6.8
Impairment of non-current assets	**(31.0)**	(413.4)
Kurnell remediation provision release	**41.9**	-
Z Energy acquisition costs	**(7.8)**	-
Gain on sale of investments	**12.5**	21.2
Other expenses	**-**	(36.0)
Higher and Better Use sites	**-**	(16.9)
Significant items loss excluded from profit or loss (before tax)	**(34.9)**	(503.9)

Ampol rebranding expense

The Group has recognised an expense of $51.3 million (2020: $65.6 million) relating to the rebranding program currently being undertaken to remove Caltex signage and install Ampol branding at the Group's sites. Current period costs include accelerated depreciation $8.9 million (2020: $10.8 million) and other operating expenses $42.4 million (2020: $8.8 million). In 2020, a provision of $46.0 million was recognised in relation to the contractual obligation to undertake rebranding work at sites owned by a third party. No work has been undertaken at these sites during 2021 however work is expected to be completed before 31 December 2022.

These expenses are included within general and administration expenses $42.4 million (2020: $54.8 million) and selling and distribution for $8.9 million (2020: $10.8 million) in the Consolidated Income Statement.

Other Income

Assistance from government

Other income includes COVID-19 government wage support of $0.8 million received from the Australian and Singapore government programs. (2020: $6.8 million). The FY20 was support was received from the Australian, New Zealand and Singapore government programs.

Impairment of non-current assets

The Group recognised an impairment loss of $31.0 million (2020: $413.4 million). These impairments related to a number of Convenience Retail sites of $15.5 million (2020: $291.6 million), a reversal of impairment of $9.0 million (2020: nil) of previously impaired sites and other specific assets of $24.5 million (2020: $41.8 million). In 2020, there was a $80.0 million impairment related to the Lytton refinery. Impairment losses are disclosed in other expenses in the Consolidated Income Statement.

B3 Segment reporting continued

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

Other expenses

Site remediation provision

An independent third-party review of cost assumptions included in the Kurnell remediation provision was performed in late 2021 which resulted in a reduction in the provision of $41.9 million (2020: nil). An environmental remediation provision of nil (2020: $32.3 million) was recognised in respect of the cost of remediating convenience retail and depot sites for alternative use. These expenses were included within general and administration expenses in the Consolidated Income Statement.

Provision for doubtful debts

In 2020, a provision for doubtful debts of $3.7 million was raised as a result of the expected impact on Ampol customers from COVID-19. This expense was included within general and administration expenses in the Consolidated Income Statement.

Gain on sale of investment

In December 2021 the Group sold its investment in Car Next Door Australia Pty Ltd for expected proceeds of $16.7 million and recorded a net accounting gain of $12.5 million. In 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 was included within other income in the Consolidated Income Statement.

Higher and Better Use sites (HBU)

In 2020, the Group recognised an environmental remediation provision in relation to the divestment of HBU sites of $16.9 million. This expense is disclosed in other expenses in the Consolidated Income Statement.

Significant items tax benefit

Significant items tax benefit of $10.5 million (2020: $151.2 million) represents tax at the Australian corporate tax rate of 30%. In 2020, utilisation of previously unrecognised capital losses of $15.7 million were applied to a capital gain on the sale of a 49% interest in 203 freehold Convenience Retail sites with a Charter Hall and GIC consortium.

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
2021					
Revenue	**15,409.7**	**728.7**	**5,068.1**	**423.4**	**21,629.9**
Non-current assets	**4,208.4**	**433.2**	**3.2**	**1.5**	**4,646.3**
2020					
Revenue	12,019.5	572.2	2,793.2	24.2	15,409.1
Non-current assets	4,267.8	414.7	22.7	0.8	4,706.0

B3.5 Major customer

Revenues from one customer of the Group's Fuels and Infrastructure segment represents approximately $3.2 billion (2020: $2.6 billion) of the Group's total gross sales revenue (excluding product duties and taxes).

B3.6 Revenue from products and services

Millions of dollars	2021	2020
Petrol	**6,455.8**	4,559.0
Diesel	**10,902.7**	7,397.6
Jet	**1,080.7**	860.6
Lubricants	**242.8**	201.4
Specialty and other products	**286.2**	155.5
Crude	**1,309.2**	903.0
Non-fuel income	**1,143.5**	1,098.5
Other revenue	**209.0**	233.5
Total product and service revenue	**21,629.9**	15,409.1

Notes to the Financial Statements continued

B Results for the year continued

For the year ended 31 December 2021

B4 Earnings per share

Cents per share	2021	2020
Historical cost net profit/(loss) attributable to ordinary shareholders – basic	**234.2**	(194.2)
Historical cost net profit/(loss) attributable to ordinary shareholders – diluted	**233.5**	(194.2)
RCOP after tax and excluding significant items – basic	**152.6**	84.8
RCOP after tax and excluding significant items – diluted	**152.1**	84.8

Calculation of earnings per share

Basic historical earnings per share is calculated as the net profit attributable to ordinary shareholders of the parent entity divided by the weighted average number of ordinary shares outstanding during the year ended 31 December 2021.

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 excludes 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 profit 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	2021	2020
Net profit/(loss) after tax attributable to equity holders of the parent entity	**560.0**	(484.9)
Add: Significant items loss after tax	**24.4**	337.0
Add/(Less): Inventory (gains)/losses after tax	**(219.5)**	359.7
RCOP excluding significant items after tax	**364.9**	211.8

Weighted average number of shares (millions)	Note	2021	2020
Issued shares as at 1 January		**249.7**	249.7
Shares bought back and cancelled	D6	**(11.4)**	-
Issued shares as at 31 December		**238.3**	249.7
Weighted average number of shares as at 31 December - basic		**239.1**	249.7
Weighted average number of shares as at 31 December - diluted		**239.8**	249.7

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
2021				
Interim 2021	23 September 2021	Franked	52	123.9
Final 2020	1 April 2021	Franked	23	54.8
Total amount			**75**	**178.7**
2020				
Interim 2020	2 October 2020	Franked	25	62.4
Final 2019	3 April 2020	Franked	51	127.4
Total amount			76	189.8

Subsequent events

Since 31 December 2021, 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 2021.

Final 2021	**31 March 2022**	**Franked**	**41**	**97.7**

B5.2 Dividend franking account

Millions of dollars	2021	2020
30% franking credits available to shareholders of Ampol Limited for subsequent financial years	**592.6**	777.1

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 $42.0 million (2020: $23.5 million).

Notes to the Financial Statements continued

C Operating assets and liabilities

For the year ended 31 December 2021

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

C1 Trade and other receivables

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

Millions of dollars	2021	2020
Trade debtors	**827.1**	493.1
Accrued receivables	**340.9**	98.4
Allowance for impairment	**(8.0)**	(8.6)
Prepayments	**25.2**	53.1
Associated and joint venture entities	**75.3**	44.1
Derivative assets	**71.2**	40.6
Other debtors	**246.6**	217.7
Contract assets	**39.4**	43.7
Total trade and other receivables	**1,617.7**	982.1
Current	**1,576.2**	936.1
Non-current	**41.5**	46.0
Total trade and other receivables	**1,617.7**	982.1

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 2021, current trade receivables of the Group with a nominal value of $8.0 million (2020: $8.6 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 2021, trade receivables of $16.6 million (2020: $11.5 million) were overdue. The ageing analysis of receivables is as follows:

Millions of dollars	2021	2020
Past due 0 to 30 days	**16.6**	11.5
Past due 31 to 60 days	**-**	-
Past due greater than 60 days	**-**	-
Total impaired receivables	**16.6**	11.5

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

Millions of dollars	2021	2020
At 1 January	**8.6**	6.3
Provision for impairment recognised during the year	**1.5**	4.7
Receivables written off during the year as uncollectible	**(2.1)**	(2.4)
Balance at 31 December	**8.0**	8.6

The creation and release of the provision for impaired receivables has been included in general and administration expenses in the Consolidated 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.

C2 Inventories

Millions of dollars	2021	2020
Crude oil and raw materials	**530.2**	389.8
Inventory in process	**41.6**	50.8
Finished goods	**1,467.3**	890.6
Materials and supplies	**25.8**	23.1
Balance at 31 December	**2,064.9**	1,354.3

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 2021 or 31 December 2020.

C3 Intangibles

Millions of dollars	Goodwill	Rights and licences	Software	Total
Cost				
At 1 January 2021	**425.2**	**97.4**	**277.5**	**800.1**
Additions and transfers	**-**	**1.4**	**16.9**	**18.3**
Disposals	**-**	**(0.9)**	**(3.0)**	**(3.9)**
Foreign currency translation	**1.0**	**0.1**	**-**	**1.1**
Balance at 31 December 2021	**426.2**	**98.0**	**291.4**	**815.6**
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
Amortisation and impairment				
At 1 January 2021	**(19.5)**	**(48.0)**	**(174.2)**	**(241.7)**
Change in accounting policy(i)	**-**	**-**	**(28.2)**	**(28.2)**
Amortisation for the year	**-**	**(6.3)**	**(10.8)**	**(17.1)**
Impairment losses(ii)	**-**	**-**	**(24.5)**	**(24.5)**
Disposals	**-**	**-**	**2.5**	**2.5**
Foreign currency translation	**-**	**(0.3)**	**-**	**(0.3)**
Balance at 31 December 2021	**(19.5)**	**(54.6)**	**(235.2)**	**(309.3)**
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)

(i) For further information on the adjustment on application of the IFRS Interpretation Committee decision, refer to Note A4.

(ii) Refer to Note C4 (Impairment – Other specific assets) for further information.

Notes to the Financial Statements continued

C Operating assets and liabilities continued

For the year ended 31 December 2021

C3 Intangibles continued

Millions of dollars	Goodwill	Rights and licences	Software	Total
Carrying amount				
At 1 January 2021	**405.7**	**49.4**	**103.3**	**558.4**
Balance at 31 December 2021	**406.7**	**43.4**	**56.2**	**506.3**
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

The amortisation charge of $17.1 million (2020: $27.9 million) is recognised in selling and distribution expenses and general and administration expenses in the Consolidated 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

During the period, the Company revised its accounting policy in relation to configuration and customisation costs incurred in implementing cloud computing arrangements in response to the IFRIC agenda decision clarifying its interpretation of how current accounting standards apply to these types of arrangements.

The new accounting policy is presented below. The impact of the change in accounting policy on historical financial information is disclosed in Note A4.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses. Costs related to access, configuration and customisation of unrestricted use of cloud computing arrangements are recognised as an operating expense.

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 amount is estimated and, if required, an impairment is recognised in the Consolidated Income Statement. In 2021, there was impairment loss of $24.5 million (2020: $20.1 million) recognised in the Consolidated Income Statement for information technology assets as detailed in Note C4 Impairment – Other specific assets.

Carrying value assessment of Cash-Generating Units (CGUs) containing goodwill and indefinite life intangibles

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

The recoverable amount of all CGUs containing goodwill have been estimated in the current reporting period.

C3 Intangibles continued

Carrying value assessment of Cash-Generating Unit (CGU) groups containing goodwill and indefinite life intangibles continued

Goodwill and indefinite life intangibles have been allocated to the CGUs as follows:

Total goodwill and indefinite life intangibles

Millions of dollars	Gull New Zealand	Fuels and Infrastructure other	Convenience Retail	Total
Goodwill	225.5	68.0	113.2	406.7
Indefinite life intangibles	20.3	0.9	-	21.2
Balance at 31 December 2021	245.8	68.9	113.2	427.9

Each of the CGUs' recoverable amount has been determined using a value-in-use approach. There were no impairments recognised during the year ended 31 December 2021 (2020: nil).

Key assumptions used in value-in-use calculations

Key assumption	Basis for determining value-in-use assigned to key assumption
Cash flow	Estimated future cash flows are based on the Group's most recent best estimate of cash flows covering a five-year plan period from 2022 to 2026. Cash flows beyond the period in 2026 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 2.5% and New Zealand 2.0%. 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 6.7% to 8.1% and pre-tax discount rates of 7.8% to 9.9% p.a.

Sensitivities

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

CGU Groups	Key assumptions
Gull New Zealand	Cash contributions reduce by 55% for each year modelled Post-tax discount rate increases from 8.1% to 15.7%
Fuels and Infrastructure other	Cash contributions reduce by 31% for each year modelled Post-tax discount rate increases from 7.7% to 10.1%
Convenience Retail	Cash contributions reduce by 62% for each year modelled Post-tax discount rate increases from 6.7% to 14.3%

In reaching its conclusions regarding the recoverable amounts of these CGUs the Group has considered the potential impacts that clean energy transition and decarbonisation may have on its business through downside scenario analysis. Whilst the speed and form of the transition is still highly uncertain, the Group has undertaken additional downside scenario analysis using current expectations of the timing and speed of these changes. This has included reviewing recovery timeframes for carrying values against anticipated timing of energy transition and cashflow growth rates required to break-even under 2035 and 2045 time horizons. No impairment has been identified based on this scenario analysis.

Notes to the Financial Statements continued

C Operating assets and liabilities continued

For the year ended 31 December 2021

C4 Property, plant and equipment

Millions of dollars	2021	2020
Freehold land		
At cost	**482.0**	455.5
Accumulated impairment losses	**(70.1)**	(70.1)
Net carrying amount	**411.9**	385.4
Buildings		
At cost	**756.3**	764.9
Accumulated depreciation and impairment losses	**(335.0)**	(326.6)
Net carrying amount	**421.3**	438.3
Leasehold property		
At cost	**1,520.5**	1,331.7
Accumulated depreciation and impairment losses	**(531.3)**	(379.7)
Net carrying amount	**989.2**	952.0
Plant and equipment		
At cost	**6,194.1**	6,064.0
Accumulated depreciation and impairment losses	**(4,774.8)**	(4,609.3)
Net carrying amount	**1,419.3**	1,454.7
Capital projects in progress		
At cost	**323.0**	237.3
Accumulated impairment losses	**-**	-
Net carrying amount	**323.0**	237.3
Total net carrying amount	**3,564.7**	3,467.7

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.

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.

Some of the useful lives of the Group's assets may be impacted by energy transition. All useful lives are reviewed taking into account the Group's current assessment of energy transition timeframes. To the extent that the Group's assessment of the timing or pace of this transition changes, the useful lives of the asset would change on a prospective basis.

Impairment of non-current assets

Carrying value assessment cash-generating units

The carrying amounts of each cash generating unit ("CGU") are reviewed at each reporting period to determine if there are any indicators of impairment. CGUs are the lowest levels at which assets are grouped and generate separately identifiable cash flows. Where an indicator of impairment exists, a detailed recoverable amount test is performed for the relevant CGU. If the recoverable amount test determines that a CGU is impaired an impairment expense is recognised in the Consolidated Income Statement.

All CGUs have been reviewed for indicators of impairment and triggers for a detailed review of recoverable amount.

Impairment Convenience Retail site CGUs

31 December 2021

In the current period the Group assessed triggers for impairment across the portfolio of convenience retail sites. Through this trigger review 45 sites were identified which have been flagged for closure or lease relinquishment and 8 further sites were identified as underperforming. There were no other sites triggered for a more detailed review. The 53 sites identified during this review have been fully impaired in the current period and a $15.5 million impairment expense reflected in the Consolidated Income Statement.

In addition, the Group has carried out a review of previous impairments to determine whether any change in circumstance or sustained improvement in performance, warranted a review of recoverable amount to determine whether reversal was required. During this review, four convenience retails sites were identified that had previously been impaired due to planned closure however a decision has been made to continue to trade at these sites. As a consequence, an impairment reversal has been recognised of $9.0 million 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 used cash flow forecasts based on a five-year period. The forecasts were risk adjusted to reflect the uncertainty around the timing and level of recovery from the impact of COVID-19. Cash flows beyond this period were extrapolated using a long-term growth rate of 2.5%. Cash flow forecasts, for leased site assets were consistent with the term of the lease assessed under AASB 16. The recoverable amounts of the CGUs were based on their value-in-use (using a discount rate of 7.1% post-tax and pre-tax of 10.2%).

Based on this assessment an impairment loss of $291.6 million was recognised with respect to property, plant and equipment for the year. The 2020 impairment loss was recognised in other expenses in the Consolidated Income Statement.

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

Impairment – Other specific assets

31 December 2021

During the current period the Group has performed a review of its information technology assets. As part of this review several projects have been identified as impaired with an expense of $24.5 million recognised in the Consolidated Income Statement.

31 December 2020

COVID-19 had a significant impact on the operating environment and financial outlook for the Group. A 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. This 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 information technology assets $20.1 million, buildings and plant and equipment $21.7 million.

Notes to the Financial Statements continued
C Operating assets and liabilities continued
For the year ended 31 December 2021

C4 Property, plant and equipment continued

Property, plant and equipment

Millions of dollars	2021	2020
Freehold land		
Carrying amount at the beginning of the year	**385.4**	421.5
Additions	**28.6**	1.8
Disposals	**(4.2)**	(4.5)
Impairment losses	**-**	(32.8)
Transfers from capital projects in progress	**2.3**	0.8
Foreign currency translation	**(0.2)**	(1.4)
Carrying amount at the end of the year	**411.9**	385.4
Buildings		
Carrying amount at the beginning of the year	**438.3**	492.8
Additions	**3.5**	0.3
Disposals	**(16.7)**	(9.5)
Impairment losses	**-**	(44.4)
Transfers from capital projects in progress	**10.9**	17.4
Depreciation	**(14.7)**	(18.2)
Foreign currency translation	**-**	(0.1)
Carrying amount at the end of the year	**421.3**	438.3
Leasehold property		
Carrying amount at the beginning of the year	**952.0**	973.5
Additions	**207.9**	207.0
Disposals	**(29.4)**	(4.7)
Impairment losses	**(5.1)**	(85.6)
Transfers from capital projects in progress	**5.1**	10.4
Depreciation	**(146.1)**	(148.1)
Reclassification	**5.9**	-
Foreign currency translation	**(1.1)**	(0.5)
Carrying amount at the end of the year	**989.2**	952.0

C4 Property, plant and equipment continued

Property, plant and equipment continued

Millions of dollars	2021	2020
Plant and equipment		
Carrying amount at the beginning of the year	**1,454.7**	1,539.2
Additions	**36.4**	255.6
Disposals	**(26.0)**	(2.3)
Impairment losses	**(12.0)**	(230.5)
Impairment losses reversal	**9.0**	-
Transfers from capital projects in progress	**165.6**	121.3
Reclassification	**(5.9)**	-
Depreciation	**(203.1)**	(228.0)
Foreign currency translation	**0.6**	(0.6)
Carrying amount at the end of the year	**1,419.3**	1,454.7
Capital projects in progress		
Carrying amount at the beginning of the year	**237.3**	275.5
Impairment losses	**(2.6)**	-
Additions	**272.1**	128.1
Borrowing costs capitalised	**0.1**	0.3
Transfers to property, plant and equipment and intangible assets	**(183.9)**	(166.6)
Carrying amount at the end of the year	**323.0**	237.3

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 Consolidated Income Statement based on the function of associated activities.

Notes to the Financial Statements continued
C Operating assets and liabilities continued
For the year ended 31 December 2021

C4 Property, plant and equipment continued
C4.1 Leased assets continued
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 Consolidated 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.

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 2021	**853.0**	**3.7**	**856.7**
Additions	**181.0**	**2.9**	**183.9**
Disposals	**(29.0)**	**-**	**(29.0)**
Reclassification	**(52.9)**	**-**	**(52.9)**
Impairment losses	**(5.1)**	**-**	**(5.1)**
Depreciation charge for the year	**(118.5)**	**(2.7)**	**(121.2)**
Foreign currency translation	**0.3**	**-**	**0.3**
Balance at 31 December 2021	**828.8**	**3.9**	**832.7**
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

Amounts recognised in the Consolidated Income Statement

Millions of dollars	2021	2020
Leases		
Interest on lease liabilities	**54.9**	57.2
Expenses relating to short-term leases, leases of low-value assets and variable leases	**54.5**	59.9

C4 Property, plant and equipment continued

C4.1 Leased assets continued

Amounts recognised in the statement of cash flows

For the purposes of presentation in the cash flow statement, principal lease payments of $106.3 million (2020: $107.7 million) are presented within the financing activities and interest of $54.9 million (2020: $57.2 million) within operating activities. Lease payments of short-term leases and leases of low-value assets of $54.5 million (2020: $59.9 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's 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 2021 was $19.5 million (2020: $22.0 million).

The Group has granted operating leases expiring from one to nine 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	2021	2020
Operating leases under AASB 16		
Within one year	**6.2**	7.1
Between one and five years	**12.5**	16.5
After five years	**0.9**	1.1
	19.6	24.7

C5 Payables

Millions of dollars	2021	2020
Trade creditors unsecured	**1,606.3**	935.8
Other creditors and accrued expenses	**652.0**	529.0
Derivative liabilities	**124.7**	86.4
Total trade payables	**2,383.0**	1,551.2
Current	**2,370.2**	1,535.2
Non-current	**12.8**	16.0
Total trade payables	**2,383.0**	1551.2

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 continued

C Operating assets and liabilities continued

For the year ended 31 December 2021

C6 Provisions

Millions of dollars	Site remediation and dismantling	Other	Total
Balance at 1 January 2021	586.7	80.3	667.0
Provisions made during the year	63.1	2.6	65.7
Provisions used during the year	(65.0)	(26.5)	(91.5)
Provisions released during the year	(74.7)	(1.6)	(76.3)
Transfers	(1.9)	1.9	-
Inflationary movement	0.3	-	0.3
Discounting movement	9.6	-	9.6
Balance at 31 December 2021	518.1	56.7	574.8
Current	48.2	56.7	104.9
Non-current	469.9	-	469.9
Balance at 31 December 2021	518.1	56.7	574.8

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 be many years in the future. Factors such as climate change and energy transition, which are highly uncertain, could also change the timing of these works. The carrying amounts of provisions are regularly reviewed and adjusted to take account of any anticipated 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.

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 has been reviewed by a third-party expert in the current period. The outcome of this review was that the costs to remediate have been revised and the provision reduced by $41.9 million. The reduction in anticipated costs related to savings achieved through renegotiation of contractual arrangements and a reassessment of the contingency allowance now that the required site works have been refined. In addition, there has been spend in the current period of approximately $17.7 million on site works.
- During the year, restoration and remediation provisions for sites identified for divestment including the cost of restoration to a level of non-sensitive industrial use reduced as works were carried out in relation to the identified sites.
- Restoration and remediation provision for 25 sites that were sold in 2019 for a “higher and better” use reflecting their significant value as future residential sites. The provision reflects the Group’s commitment to remediate to these sites to a standard which would allow residential development. During the year the provision has been utilised as site work progressed resulting in a decrease in the provision of $19.8 million.
- The provision for dismantling and removal of assets from owned and leased operational sites has been increased by $29.0 million for several of the Group’s sites where further detailed work has been undertaken to determine cost. 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.
- The provision relating to remediation of site specific contamination has not changed significantly during the year. The estimated liability for these costs depends on the actions required to meet regulatory standards and other requirements.

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 continued

D Capital, funding and risk management

For the year ended 31 December 2021

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 Liquidity and interest-bearing liabilities

D1.1 Interest-bearing liabilities

Millions of dollars	2021	2020
Current		
Bank facilities(i)	**-**	-
Lease liabilities	**159.6**	160.2
Current interest-bearing liabilities	**159.6**	160.2
Non-current		
Bank facilities(i)	**(6.8)**	(5.3)
Capital market borrowings(ii)	**304.9**	313.5
Subordinated notes(iii)(iv)	**991.9**	493.3
Lease liabilities	**814.0**	754.0
Non-current interest-bearing liabilities	**2,104.0**	1,555.5
Total interest-bearing liabilities	**2,263.6**	1,715.7

(i) Bank facilities comprise of no drawn bank debt at 31 December 2021 (2020: nil) (less borrowing costs of $6.8 million (2020: $5.3 million)).

(ii) Capital market borrowings of $304.9 million (2020: $313.5 million) includes a fair value adjustment of $5.9 million (2020: $14.8 million) relating to the fair value hedge of the $300.0 million Australian Medium-Term Notes (less borrowing costs of $1.0 million (2020: $1.3 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 $5.3 million (2020: $6.7 million)).

(iv) Subordinated Notes were issued on 2 December 2021 and are unlisted. They are denominated in Australian dollars. The Notes have a maturity date of 2 December 2081, with the first optional redemption date on 19 March 2027 totalling $500.0 million (less borrowing costs of $2.8 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.

Refer to Note D2.5 for liquidity risk management.

Significant funding transactions

On 2 December 2021, Ampol successfully issued $500.0 million of subordinated notes. These notes will further diversify Ampol's funding sources, support its credit profile and increase its financial flexibility in line with its Capital Allocation Framework.

During 2021, the Group extended the tenor on the AUD equivalent $1,612.1 million (2020: $1,503.0 million) of its existing bilateral bank facilities and upsized its committed bank facilities by $160.0 million (2020: downsized by $200.0 million). Further, Ampol executed an additional net $1,299.0 million in new debt facilities in 2021 to support the proposed Z Energy acquisition announced on 11 October 2021 (transaction is subject to Z Energy shareholders and New Zealand regulatory approvals). The utilisation of the new Z Energy acquisition debt facilities is subject to the completion of the transaction.

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 may utilise:

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 continued

D Capital, funding and risk management continued

For the year ended 31 December 2021

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	2021	2020
Financial assets		
Cash at bank and on hand	**566.3**	367.6
	566.3	367.6
Financial liabilities		
Variable rate borrowings		
Bank facilities	**143.2**	144.8
Subordinated notes	**341.9**	73.3
Fixed interest rate – repricing dates including lease liabilities:		
12 months or less	**159.2**	160.2
One to five years	**1,166.4**	1,171.2
Over five years	**452.9**	166.2
	2,263.6	1,715.7

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 four years.

The Group manages its cash flow interest rate risk by entering into floating-to-fixed interest rate swap contracts. At 31 December 2021, the fixed rates under these swap contracts varied from 0.5% to 2.3% per annum, at a weighted average rate of 1.3% per annum (2020:1.6% to 2.5% per annum, at a weighted average rate of 1.6% 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 2021 was a $15.5 million gain (2020: $6.9 million gain).

Interest rate sensitivity analysis

At 31 December 2021, 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:

	2021		2020	
Millions of dollars	Post-tax profit	Hedge reserve	Post-tax profit	Hedge reserve
Interest rates decrease by 1%	**34.6**	**2.1**	24.3	(10.7)
Interest rates increase by 1%	**(34.4)**	**(2.1)**	(24.0)	10.1

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

				2021
Millions of dollars (Australian dollar equivalent amounts)	**US dollar**	**NZ dollar**	**Australian dollar**	**Total**
Bank facilities	-	-	-	-
Cash and cash equivalents	**145.5**	**26.1**	**394.7**	**566.3**
Trade receivables	**464.3**	**0.7**	**1,097.9**	**1,562.9**
Trade payables	**(1,398.8)**	**(53.9)**	**(806.4)**	**(2,259.1)**
Forward exchange contracts (forwards, swaps and options)	**(18.8)**	**5.5**	-	**(13.3)**
Crude and finished product swap and futures contracts	**(55.8)**	-	-	**(55.8)**

				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	687.5	956.2
Trade payables	(794.2)	(63.2)	(615.1)	(1,472.5)
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)

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 may be 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 2021, the total fair value of all outstanding foreign exchange contracts (forwards, swaps and options) amounted to a $13.3 million loss (2020: $3.0 million loss).

Notes to the Financial Statements continued
D Capital, funding and risk management continued
For the year ended 31 December 2021

D2 Risk management continued

D2.2 Foreign exchange risk continued

Foreign exchange rate sensitivity analysis

At 31 December 2021, 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:

	2021		2020	
Millions of dollars	**Post-tax profit**	**Equity**	**Post-tax profit**	**Equity**
AUD strengthens against US dollar by 10%	**(7.1)**	**-**	(4.3)	-
AUD weakens against US dollar by 10%	**28.3**	**-**	13.4	-
AUD strengthens against NZ Dollar 10%	**(3.1)**	**-**	-	-
AUD weakens against NZ Dollar 10%	**17.6**	**-**	-	-

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 2021, the total fair value of all outstanding crude and finished product swap and futures contracts amounted to a $55.8 million loss (2020: $49.8 million loss).

Commodity price sensitivity analysis

At 31 December 2021, 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:

	2021		2020	
Millions of dollars	**Post-tax profit**	**Hedge reserve**	**Post-tax profit**	**Hedge reserve**
Commodity prices decrease by 10%	**18.5**	**-**	14.7	-
Commodity prices increase by 10%	**(18.5)**	**-**	(14.7)	-

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 and medium to large businesses.

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.

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 2021 is as follows:

Millions of dollars	2023	2024	2025	Beyond 2025	Funds available	Drawn	Undrawn
Bank facilities - Drawn	-	-	-	-	-	-	-
Bank facilities - Undrawn(i)	369.8	465.0	150.0	1,317.3	2,302.1	-	2,302.1
Capital market borrowings(ii)	-	-	300.0	-	300.0	300.0	-
Subordinated notes(iii)	-	-	-	1,000.0	1,000.0	1,000.0	-
Total	369.8	465.0	450.0	2,317.3	3,602.1	1,300.0	2,302.1

(i) This excludes the Z Energy acquisition facilities of $1,299.0 million, which are unavailable for use until the completion of the acquisition transaction.

(ii) Capital market borrowings were drawn for the year ended 31 December 2021. Refer to Note D1.1 annotation (ii) for the reconciliation back to $304.9 million (2020: $313.5 million).

(iii) Subordinated notes were drawn for the year ended 31 December 2021. Refer to Note D1.1 annotation (iii)(iv) for the reconciliation back to $991.9 million (2020: $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 4.0 years.

The total committed funds at 31 December 2021 was $3,602.1 million (2020: $2,940.5 million), with $2,302.1 million (2020: $2,140.5 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.

			2021			2020
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	(3,917.5)	3,901.8	(15.7)	(1,469.2)	1,462.3	(6.9)
One to five years	(5.8)	20.8	15.0	(6.6)	17.1	10.5
Over five years	-	-	-	-	-	-
			(0.7)			3.6

Notes to the Financial Statements continued
D Capital, funding and risk management continued
For the year ended 31 December 2021

D2 Risk management continued
D2.5 Liquidity risk management continued

Millions of dollars	2021	2020
Non-derivative financial instruments liabilities		
Less than one year	**(2,286.2)**	(1,448.0)
One to five years	**(1,037.4)**	(438.6)
Over five years	**(506.7)**	(505.7)
	(3,830.3)	(2,392.3)

Millions of dollars	2021	2020
Lease liabilities		
Less than one year	**(159.6)**	(160.2)
One to five years	**(547.4)**	(552.4)
Over five years	**(626.4)**	(691.7)
	(1,333.4)	(1,404.3)

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 strategic objective of sustainably delivering value and growth for our owners, people and customers. 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 strong investment-grade credit rating;
- 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 divided by 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 on the balance sheet plus net borrowings.

Millions of dollars	2021	2020
Interest-bearing liabilities(i)	**1,290.0**	801.5
Less: cash and cash equivalents	**(566.3)**	(367.6)
Net borrowings	**723.7**	433.9
Total equity	**3,346.8**	3,224.7
Total capital	**4,070.5**	3,658.6
Gearing ratio	**17.8%**	11.9%

(i) Interest-bearing liabilities excludes liabilities arising under *AASB 16 Leases*. Refer to note D1.1.

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 2021	**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)]	**6.8**	**-**	**-**	**-**	**-**
Capital market borrowings	**(304.9)**	**(325.8)**	**-**	**(325.8)**	**-**
Subordinated notes	**(991.9)**	**(1,159.1)**	**-**	**(1,159.1)**	**-**
Derivatives					
Interest rate swaps	**15.5**	**15.5**	**-**	**15.5**	**-**
Foreign exchange contracts (forwards, swaps and options)	**(13.3)**	**(13.3)**	**-**	**(13.3)**	**-**
Crude and finished product swap and futures contracts	**(55.8)**	**(55.8)**	**(69.4)**	**13.6**	**-**
Total	**(1,343.6)**	**(1,538.5)**	**(69.4)**	**(1,469.1)**	**-**

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 committed bank facilities.

Notes to the Financial Statements continued

D Capital, funding and risk management continued

For the year ended 31 December 2021

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 consolidated balance sheet if all set-off rights were exercised.

2021

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	**380.5**	**(309.3)**	**71.2**	**(53.7)**	**17.5**
Buy sell arrangements	**318.9**	**(227.7)**	**91.2**	**-**	**91.2**
Total financial assets	**699.4**	**(537.0)**	**162.4**	**(53.7)**	**108.7**
Derivative financial liabilities	**(434.0)**	**309.3**	**(124.7)**	**53.7**	**(71.0)**
Buy sell arrangements	**(346.2)**	**227.7**	**(118.5)**	**-**	**(118.5)**
Total financial liabilities	**(780.2)**	**537.0**	**(243.2)**	**53.7**	**(189.5)**

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	(169.7)	40.6	(25.0)	15.6
Buy sell arrangements	152.3	(125.5)	26.8	-	26.8
Total financial assets	362.6	(295.2)	67.4	(25.0)	42.4
Derivative financial liabilities	(256.1)	169.7	(86.4)	25.0	(61.4)
Buy sell arrangements	(204.3)	125.5	(78.8)	-	(78.8)
Total financial liabilities	(460.4)	295.2	(165.2)	25.0	(140.2)

D6 Issued capital

Millions of dollars	2021	2020
Ordinary shares		
Shares on issue at beginning of period – fully paid	**502.6**	502.6
Shares repurchased for cash[(i)]	**(22.9)**	-
Shares on issue at end of period – fully paid	**479.7**	502.6

(i) 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. Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. The number of issued shares post the buy back was 238.3 million. Refer to Note B4.

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 2021 Remuneration Report for further detail. For each right that vests, the Group intends to purchase shares on-market following vesting.

D7 Reserves

Millions of dollars	2021	2020
Foreign currency translation reserve		
Balance at beginning of reporting period	**30.8**	42.9
Included in other comprehensive income	**40.6**	(12.1)
Balance at reporting date	**71.4**	30.8
Hedging reserve		
Balance at beginning of reporting period	**(5.1)**	(5.0)
Included in other comprehensive income	**12.5**	(0.1)
Balance at reporting date	**7.4**	(5.1)
Equity reserve		
Balance at beginning of reporting period	**-**	-
Acquisition of non-controlling interests	**3.5**	-
Balance at reporting date	**3.5**	-
Equity compensation reserve		
Balance at beginning of reporting period	**(20.1)**	(18.5)
Included in statement of profit or loss	**3.3**	(1.6)
Balance at reporting date	**(16.8)**	(20.1)
Total reserves at reporting date	**65.5**	5.6

Nature and purpose of reserves

Foreign currency translation reserve

The foreign currency translation reserve comprises foreign exchange differences arising from the translation of the financial statements of operations where their functional currency is different to the presentation currency of the Group, as well as from the translation of liabilities that hedge the Group's net investment in foreign operations.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments relating to future transactions.

Equity reserve

The equity reserve accounts for the differences between the fair value of, and the amounts paid or received for, equity transactions with non-controlling interests.

Equity compensation reserve

The equity compensation reserve is used to recognise the fair value of share-based payments issued to employees over the vesting period, and to recognise the value attributable to the share-based payments during the reporting period.

Notes to the Financial Statements continued

E Taxation

For the year ended 31 December 2021

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 (expense)/benefit

E1.1 Recognised in the Consolidated Income Statement

Millions of dollars	2021	2020
Current tax expense		
Current year	**(77.8)**	(18.5)
Adjustments for prior years	**-**	(12.1)
Total current tax expense	**(77.8)**	(30.6)
Deferred tax (expense)/benefit		
Origination and reversal of temporary differences	**(47.6)**	170.7
(Utilisation)/recognition of tax losses	**(82.6)**	101.8
(Utilisation)/recognition of carry forward tax offsets	**(1.1)**	1.9
Adjustments for prior years	**9.5**	2.0
Total deferred tax (expense)/benefit	**(121.8)**	276.4
Total income tax (expense)/benefit	**(199.6)**	245.8

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

Millions of dollars	2021	2020
Profit/(loss) before income tax	**797.1**	(725.6)
Income tax (expense)/benefit using the domestic corporate tax rate of 30% (2020: 30%)	**(239.1)**	217.7
Effect of tax rates in foreign jurisdictions	**75.4**	13.6
Change in income tax (expense)/benefit due to:		
Share of net profit of associated entities	**3.4**	3.2
Tax on minority interest portion of flow through entity profits	**11.0**	1.3
Current tax expense associated with depreciable assets in flow through entity	**(5.7)**	(0.7)
Income subject to attribution under controlled foreign company regime	**(51.3)**	(10.6)
Capital tax losses utilised for which no deferred tax asset was recognised	**0.4**	16.2
Step-up to market value on pre-CGT sites	**-**	13.4
Research and development allowances	**0.3**	0.4
Other	**(3.5)**	1.4
Income tax over/(under) provided in prior years	**9.5**	(10.1)
Total income tax (expense)/benefit	**(199.6)**	245.8

Income tax (expense)/benefit 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 consolidated statement of financial position and its tax base.

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 by the Group's Singaporean entities from transactions with the Group's Australian entities should be subject to corporate income tax in Australia.

Due to the uncertainty over the ATO's final position, the Group has recognised tax liabilities for the period 1 January 2014 to 31 December 2021 in relation to these earnings at the Australian corporate income tax rate of 30%, rather than at the rate payable by the Group's Singaporean entities in Singapore. The difference between these rates is a cumulative tax expense impact (both current and deferred) of $208.7 million (2020: $178.9 million) for the period 1 January 2014 to 31 December 2021.

E1 Income tax (expense)/benefit continued

Taxation of Singaporean entities continued

Under an administrative agreement with the ATO, 50% of the current tax expense impact for the 2014 to 2019 and 2021 years has been paid or is now payable, with the remaining 50% payable pending resolution of the matter. No Australian tax was paid on these earnings in respect of the 2020 year given the Australian tax consolidated group was in a tax loss position. As at 31 December 2021, the Group has recognised $100.3 million (2020: $81.0 million) in current tax liability, in relation to this matter.

If the outcome of the ATO's position is in the Group's favour, an amount of income tax expense recognised to date could be written back in future periods. If it is resolved such that the position filed with the ATO is sustained, there would be no impact on the Group's consolidated 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.

E2.1 Movement in deferred tax

Millions of dollars Asset/(Liability)	Balance at 1 Jan 21	Change in accounting policy(i)	Income	Equity	Balance Sheet	Net as at 31 December 2021	Deferred tax assets	Deferred tax liabilities
Cash and receivables	(0.7)	-	9.4	-	-	8.7	8.7	-
Inventories	8.2	-	(23.2)	-	-	(15.0)	(6.8)	(8.2)
Property, plant and equipment and intangibles	(166.5)	8.5	(33.4)	-	-	(191.4)	(159.9)	(31.5)
Payables	30.6	-	(5.0)	(5.4)	-	20.2	20.2	-
Interest-bearing liabilities	3.6	-	(2.0)	-	-	1.6	1.6	-
Provisions	230.0	-	(18.3)	(0.9)	-	210.8	209.5	1.3
Lease liabilities	278.3	-	19.8	-	-	298.1	280.7	17.4
Tax asset recognised on tax losses	70.9	-	(69.1)	-	-	1.8	1.8	-
Other	(10.3)	-	-	-	(1.3)	(11.6)	(11.6)	-
Net deferred tax asset	444.1	8.5	(121.8)	(6.3)	(1.3)	323.2	344.2	(21.0)

(i) For further information on the adjustment on application of the IFRS Interpretation Committee decision, refer to note A4.

Notes to the Financial Statements continued

E Taxation continued

For the year ended 31 December 2021

E2 Deferred tax continued

E2.1 Movement in deferred tax continued

Millions of dollars Asset/(Liability)	Balance at 1 Jan 20	Income	Equity	Net as at 31 December 2020	Deferred tax assets	Deferred tax liabilities
Cash and receivables	2.8	(3.5)	-	(0.7)	(0.7)	-
Inventories	6.8	1.4	-	8.2	8.2	-
Property, plant and equipment and intangibles	(208.8)	13.7	28.6	(166.5)	(139.7)	(26.8)
Payables	22.5	8.7	(0.6)	30.6	29.9	0.7
Interest-bearing liabilities	4.7	(0.6)	(0.5)	3.6	3.6	-
Provisions	111.4	118.5	0.1	230.0	228.3	1.7
Lease liabilities	250.6	27.8	(0.1)	278.3	262.3	16.0
Tax asset recognised on tax losses	-	101.8	(30.9)	70.9	70.9	-
Other	(17.8)	8.5	(1.0)	(10.3)	(9.0)	(1.3)
Net deferred tax asset	172.2	276.3	(4.4)	444.1	453.8	(9.7)

E2.2 Deferred tax recognised directly in equity

Millions of dollars	2021	2020
Related to actuarial gains	**(1.1)**	0.1
Related to derivatives	**(5.4)**	(0.6)
Related to change in fair value of net investment hedges	**-**	(0.5)
Related to foreign operations – foreign currency translation differences	**-**	(0.9)
Related to share-based payments	**0.2**	0.5
Related to retained earnings	**8.5**	-
Ampol Property Trust – divestment of minority interest	**-**	(3.0)
	2.2	(4.4)

E2.3 Unrecognised deferred tax assets

Millions of dollars	2021	2020
Capital tax losses	**-**	0.5

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.

F Group structure

For the year ended 31 December 2021

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 2021:

		% Interest	
Name	**Note**	**2021**	**2020**
Companies			
ALD Group Holdings NZ Limited	(v)	**100**	100
ALD NZ Property Holding Limited	(xxv)(v)	**100**	-
Ampol Australia Custodians Pty Ltd	(iii)	**100**	100
Ampol Australia Energy Pty Ltd	(iii)(xx)	**100**	-
Ampol Australia Management Pty Ltd	(iii)	**100**	100
Ampol Australia Petroleum Pty Ltd	(iii)	**100**	100
Ampol Aviation Pty Ltd		**100**	100
Ampol Bendigo Pty Ltd	(iii)(xv)	**-**	100
Ampol Convenience PropCo Pty Ltd	(iii)	**100**	100
Ampol Energy Pty Ltd	(iii)(xi)	**100**	-
Ampol Energy (Retail) Pty Ltd	(iii)(xxi)	**100**	-
Ampol Energy Services Pty Ltd	(iii)(xx)	**100**	-
Ampol Energy (Wholesale) Pty Ltd	(iii)(xxi)	**100**	-
Ampol Fuel Services Pty Ltd	(iii)	**100**	100
Ampol Holdings NZ Limited	(xix)(v)	**100**	-
Ampol Hydrogen Pty Ltd	(iii)(xx)	**100**	-
Ampol International Holdings Pte Ltd	(ii)	**100**	100
Ampol LPG Pty Ltd		**100**	100
Ampol Lubricating Oil Refinery Pty Ltd	(iii)	**100**	100
Ampol Management Services Pte Ltd	(ii)	**100**	100
Ampol Petroleum (Qld) Pty Ltd	(iii)	**100**	100
Ampol Petroleum (Victoria) Pty Ltd	(iii)	**100**	100
Ampol Petroleum Distributors Pty Ltd	(iii)	**100**	100
Ampol Petroleum Pty Ltd	(iii)	**100**	100
Ampol Procurement Services Pte Ltd	(ii)(xvi)	**-**	100
Ampol Property (Holdings) Pty Ltd	(iii)	**100**	100
Ampol Property Manager Pty Ltd		**100**	100
Ampol Property Manager 2 Pty Ltd	(xxii)	**100**	-
Ampol Refineries (Matraville) Pty Ltd	(xii)	**100**	100
Ampol Refineries (NSW) Pty Ltd	(iii)	**100**	100
Ampol Refineries (Qld) Pty Ltd	(iii)	**100**	100
Ampol Retail Pty Ltd	(iii)	**100**	100
Ampol Road Pantry Pty Ltd	(xv)	**-**	100
Ampol Shipping and Logistics Pte Ltd	(ii)	**100**	100
Ampol Singapore Trading Pte Ltd	(ii)	**100**	100
Ampol US Holdings LLC	(x)	**100**	100
Ampol US Management Services LLC	(x)	**100**	100
Ampol US Trading LLC	(x)	**100**	100
B & S Distributors Pty Ltd	(xxiii)	**100**	50
Bowen Petroleum Services Pty Ltd	(xv)	**-**	100

Notes to the Financial Statements continued

F Group structure continued

For the year ended 31 December 2021

F1 Controlled entities continued

		% Interest	
Name	**Note**	**2021**	**2020**
Caltex Australia Nominees Pty Ltd	(xiv)	**-**	100
Centipede Holdings Pty Ltd		**100**	100
Circle Petroleum (Q'land) Pty Ltd	(xv)	**-**	100
Cocks Petroleum Pty Ltd	(xii)	**100**	100
Cooper & Dysart Pty Ltd		**100**	100
Graham Bailey Pty Ltd	(iii)	**100**	100
Gull New Zealand Ltd	(v)	**100**	100
Hanietee Pty Ltd	(iii)	**100**	100
Hunter Pipe Line Company Pty Ltd	(iii)	**100**	100
Jayvee Petroleum Pty Ltd	(xv)	**-**	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	(xiv)	**-**	100
Sky Consolidated Property Pty Ltd		**100**	100
Solo Oil Australia Pty Limited		**100**	100
Solo Oil Corporation Pty Ltd	(xiv)	**-**	100
Solo Oil Investments Pty Ltd	(iii)	**100**	100
Solo Oil Pty Ltd	(iii)	**100**	100
South Coast Oils Pty Ltd	(xv)	**-**	100
South East Queensland Fuels Pty Ltd		**100**	100
Sydney Metropolitan Pipeline Pty Ltd		**60**	60
Teraco Pty Ltd	(iii)(xxiii)	**100**	50
Terminals New Zealand Ltd	(v)	**100**	100
Tulloch Petroleum Services Pty Ltd	(xv)	**-**	100
Votraint No. 370 Pty Ltd	(xxiv)	**100**	-
Western Fuel Distributors Pty Ltd	(xxiii)	**100**	50
Zeal Achiever Ltd	(xiii)	**100**	100
Unit trusts			
Ampol Property Trust	(ix)	**51**	51
Ampol Property Trust 2 (formerly known as Ampol Convenience REIT)	(xvii)	**100**	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

F1 Controlled entities continued

(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.

(xi) Incorporated on 14 May 2021.

(xii) The directors of the company declared that the company was solvent pursuant to section 494 of the *Corporations Act 2001*. Its shareholder resolved to wind up the company voluntarily on 20 December 2019.

(xiii) Australian tax resident incorporated in the British Virgin Islands.

(xiv) On 9 February 2021, this company was deregistered with ASIC.

(xv) On 20 January 2021, this company was deregistered with ASIC.

(xvi) The Accounting and Corporate Regulatory Authority application has approved a formal strike off on 6 September 2021.

(xvii) Ampol Property Trust 2 (formerly known as Ampol Convenience REIT) is the sole unit holder.

(xviii) Incorporated on 2 March 2021.

(xix) Incorporated on 12 October 2021.

(xx) Incorporated on 28 October 2021.

(xxi) Incorporated on 18 August 2021.

(xxii) Incorporated on 21 October 2021.

(xxiii) On 4 November 2021, this entity became wholly owned.

(xxiv) On 4 November 2021, Ampol Australia Petroleum Pty Ltd acquired 100% of previously held 23.08% investment.

(xxv) ALD NZ Property Holding Limited previously known as Charlton Properties (2004) Limited incorporated on 2 March 2015. Acquired by Ampol Australia Petroleum Pty Ltd on 6 September 2021.

Notes to the Financial Statements continued

F Group structure continued

For the year ended 31 December 2021

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.

Consolidated Income Statement for entities covered by the Deed of Cross Guarantee

Millions of dollars	2021	2020
Revenue	**15,799.2**	11,996.3
Cost of goods sold – historical cost	**(14,114.8)**	(10,980.8)
Gross profit	**1,684.4**	1,015.5
Other income	**53.7**	899.9
Other expense	**(50.4)**	(434.8)
Selling, distribution and general and administration expenses	**(1,272.2)**	(1,380.5)
Results from operating activities	**415.5**	100.1
Finance costs	**(113.1)**	(109.7)
Finance income	**0.4**	0.6
Net finance costs	**(112.7)**	(109.1)
Share of net profit of entities accounted for using the equity method	**11.3**	10.7
Profit before income tax expense	**314.1**	1.7
Income tax (expense)/benefit	**(135.1)**	264.1
Net profit	**179.0**	265.8
Items that will not be reclassified to profit or loss	**2.4**	(0.3)
Items that may be reclassified subsequently to profit or loss	**12.5**	(0.1)
Other comprehensive income for the period, net of income tax	**14.9**	(0.4)
Total comprehensive income for the period	**193.9**	265.4
Retained earnings at the beginning of the year	**2,493.2**	2,417.6
Acquired minority interest included in Deed of Cross Guarantee(i)	**1.4**	-
Current year earnings	**179.0**	265.8
Movement in reserves	**2.4**	(0.4)
Shares bought back	**(277.5)**	-
Dividends provided for or paid	**(178.7)**	(189.8)
Retained earnings at the end of the year	**2,219.8**	2,493.2

(i) On 4 November 2021, Teraco Pty Ltd became wholly owned.

F1 Controlled entities continued

F1.1 Deed of Cross Guarantee continued

Consolidated Balance sheet for entities covered by the Deed of Cross Guarantee

Millions of dollars	2021	2020
Current assets		
Cash and cash equivalents	**407.6**	286.5
Trade and other receivables	**1,136.7**	1,112.5
Inventories	**1,150.6**	821.9
Total current assets	**2,694.9**	2,220.9
Non-current assets		
Trade and other receivables	**730.0**	458.5
Investments accounted for using the equity method	**184.0**	177.2
Ampol Property Trust investment	**734.8**	728.5
Property, plant and equipment	**2,783.1**	3,732.5
Intangibles	**246.4**	283.0
Deferred tax assets	**365.2**	443.5
Employee benefits	**5.6**	2.9
Total non-current assets	**5,049.1**	5,826.1
Total assets	**7,744.0**	8,047.0
Current liabilities		
Payables	**1,936.9**	1,469.5
Interest-bearing liabilities	**159.6**	230.9
Current tax liabilities	**199.1**	169.6
Employee benefits	**129.8**	98.9
Provisions	**95.5**	173.0
Total current liabilities	**2,520.9**	2,141.9
Non-current liabilities		
Payables	**12.8**	16.0
Interest-bearing liabilities	**2,025.9**	2,415.0
Deferred tax liabilities	**21.0**	9.7
Employee benefits	**5.1**	6.1
Provisions	**464.9**	484.0
Total non-current liabilities	**2,529.7**	2,930.8
Total liabilities	**5,050.6**	5,072.7
Net assets	**2,693.4**	2,974.3
Equity		
Issued capital	**479.7**	502.6
Treasury stock	**(1.5)**	(1.6)
Reserves	**(4.6)**	(19.9)
Retained earnings	**2,219.8**	2,493.2
Total equity	**2,693.4**	2,974.3

Notes to the Financial Statements continued

F Group structure continued

For the year ended 31 December 2021

F2 Business combinations

There were no material business combinations during the years ended 31 December 2021 or 31 December 2020.

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**	**2021**	**2020**
Investments in associates			
Bonney Energy Group Pty Ltd(i)	Australia	**50**	50
Endua Pty Ltd(ii)	Australia	**20**	-
EVOS Technology Pty Ltd(iii)	Australia	**-**	-
Geraldton Fuel Company Pty Ltd	Australia	**50**	50
Seaoil Philippines Inc.	Philippines	**20**	20
Car Next Door Australia Pty Ltd(iv)	Australia	**-**	17.2
Investments in joint ventures			
Airport Fuel Services Pty Limited	Australia	**40**	40
Australasian Lubricants Manufacturing Company Pty Ltd(v)	Australia	**50**	50
Cairns Airport Refuelling Service Pty Ltd	Australia	**33.3**	33.3

(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 Group Pty Ltd (formerly Caltas Pty Ltd). The carrying amount of this investment at 31 December 2021 was $16.9 million (2020: $15.6 million).

(ii) On 19 May 2021, Ampol Energy Pty Ltd acquired a 20% equity interest in Endua Pty Ltd for $1.5 million.

(iii) On 8 June 2021, Ampol Energy Pty Ltd acquired rights in EVOS Technology Pty Ltd whereby Ampol has the right to shares in EVOS. As this right is currently exercisable at Ampol's discretion, the investment is accounted for as an associate.

(iv) On 24 December 2021, the Group sold its investment in Car Next Door Australia Pty Ltd for proceeds of $16.7 million and recorded a net accounting gain of $12.5 million.

(v) Australasian Lubricants Manufacturing Company Pty Ltd ceased joint venture operations on 17 April 2015 and had a nil carrying value at 31 December 2021.

The companies listed in the above table were incorporated in Australia and the Philippines and have a 31 December balance date with the exception of Bonney Energy Group Pty Ltd which has a 30 June balance date. These companies' main course of business primarily relate to the sale, marketing and/or distribution of fuel products and the operation of convenience stores with the exception of Endua Pty Ltd (Endua), EVOS Technology Pty Ltd (EVOS) and Car Next Door Australia Pty Ltd. Endua is principally concerned with the generation and storage of clean hydrogen power and EVOS with the design and manufacture of electric vehicle charging products.

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(i)
2021	**1,979.3**	**42.7**	**11.4**	**798.7**	**482.2**	**314.9**	**84.9**	**-**	**110.2**	**183.3**
2020	1,562.6	46.3	10.7	629.0	332.2	296.9	76.5	0.1	99.8	176.4

(i) Total shares of associates' net assets equity accounted adjusted for $11.8 million cash injection on Seaoil Philippines, Inc.

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
2021	**-**	**(0.4)**	**(0.1)**	**2.0**	**0.2**	**1.8**	**0.7**
2020	5.0	-	-	1.9	-	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.

For the year ended 31 December 2021 the contribution of the JUHIs to the operating profit of the Group was nil (2020: 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	2021	2020
Non-current assets		
Plant and equipment	**63.5**	62.7
Less: accumulated depreciation	**(24.5)**	(23.3)
Total non-current assets	**39.0**	39.4
Total assets	**39.0**	39.4

Notes to the Financial Statements continued

F Group structure continued

For the year ended 31 December 2021

F5 Parent entity disclosures

As at and throughout the financial year ended 31 December 2021, the parent entity of the Group was Ampol Limited.

Millions of dollars	2021	2020
Result of the parent entity		
Profit for the period	**820.9**	201.0
Other comprehensive income/(loss)	**18.3**	16.5
Total comprehensive income for the period	**839.2**	217.5
Financial position of parent entity at year end		
Current assets	**34.4**	29.8
Total assets	**5,453.3**	5,352.5
Current liabilities	**109.4**	108.7
Total liabilities	**4,841.5**	5,098.6
Total equity of the parent entity comprising		
Issued capital	**479.7**	502.6
Treasury stock	**(1.5)**	(1.6)
Reserves	**(2.5)**	(18.5)
Retained earnings	**136.1**	(228.6)
Total equity	**611.8**	253.9

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.

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	Ampol Property Trust	
	2021	**2020**
NCI percentage	**49%**	49%
Balance sheet		
Current assets	**18.4**	7.0
Non-current assets	**516.7**	522.9
Current liabilities	**(0.8)**	(0.9)
Non-current liabilities	**-**	-
Net assets attributable to unit holders	**534.3**	529.0
Net assets attributable to NCI	**261.8**	259.2
Income Statement		
Revenue	**92.9**	8.9
Expenses	**(17.6)**	(0.2)
Total comprehensive income for the year	**75.3**	8.7
Profit allocated to NCI	**36.9**	4.3
Statement of cash flows		
Cash flows from operating activities	**83.0**	2.7
Cash flows from investing activities	**(12.2)**	(700.9)
Cash flows from financing activities	**(70.0)**	698.2
Net increase/(decrease) in cash held	**0.8**	0.0
Transactions with non-controlling interests		
Ampol Property Trust		
Profit allocated	**36.9**	4.3
Distributions paid	**(40.3)**	(1.2)
Proceeds from purchase of units in Ampol Property Trust	**6.0**	-
Other non-controlling interests		
Profit allocated	**0.6**	0.8
Distributions paid	**(1.2)**	-
Acquisition of minority interest, net of tax[(i)]	**(3.5)**	-
Net assets attributable to other NCI	**10.3**	14.4

(i) On 4 November 2021, Ampol Australia Petroleum Pty Ltd wholly acquired Votraint No. 370 Pty Ltd, Teraco Pty Ltd and Western Fuel Distributors Pty Ltd. Refer to Note F1 for further information.

Notes to the Financial Statements continued
G Other information
For the year ended 31 December 2021

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	2021	2020
Capital expenditure contracted but not provided for in the financial report and payable	**23.0**	23.0

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 during 2022 and 2023. DA approval has not yet been granted as at 31 December 2021.

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

Associate related party transactions are as follows:

Dollars	2021	2020
Income Statement		
Petroleum sales	**1,164,983,000**	712,897,000
Rental income	**2,123,000**	2,119,000
Dividend and disbursements	**2,050,000**	1,877,000
Total Income Statement impact	**1,169,156,000**	716,893,000
Balance Sheet		
Receivables	**75,211,000**	33,404,000
Total Balance Sheet impact	**75,211,000**	33,404,000

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 2021 (2020: nil). Details of the Group's interests are set out in notes F3 and F4.

G4 Key Management Personnel

The aggregate remuneration of Key Management Personnel of the Group during 2021 and 2020 were:

Key Management Personnel compensation

Thousands of dollars	2021	2020
Short-term benefits	**10,543.8**	6,421.2
Other long-term benefits	**117.0**	138.3
Post-employment benefits	**622.1**	268.3
Termination benefits	**-**	1,311.8
Retention payments	**531.0**	2,655.1
Share-based payments	**2,775.5**	299.9
Total Key Management Personnel compensation	**14,589.4**	11,094.6

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 continued

G Other information continued

For the year ended 31 December 2021

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 Consolidated Cash Flow Statement, cash and cash equivalents includes:

Millions of dollars	2021	2020
Cash at bank	**566.3**	367.6
Total cash and cash equivalents	**566.3**	367.6

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

Millions of dollars	2021	2020
Net profit/(loss)	**560.0**	(484.9)
Adjustments for:		
Loss on sale of property, plant and equipment	**2.7**	0.2
Impairment of fixed assets	**19.7**	393.3
Impairment reversal of fixed assets	**(9.0)**	-
Impairment of information technology assets	**24.5**	20.1
Finance charges on leases	**54.9**	57.2
Interest paid capitalised	**(0.1)**	(0.3)
Amortisation of finance costs	**4.0**	3.9
Depreciation of property, plant and equipment	**363.9**	394.3
Amortisation of intangibles	**17.1**	27.9
Share based payment and treasury stock reserve movements net of expense	**3.4**	(1.6)
Share of associates' and joint ventures' net profit	**(11.3)**	(10.7)
Movements in assets and liabilities:		
(Increase)/decrease in receivables	**(635.6)**	588.9
(Increase)/decrease in inventories	**(710.6)**	755.2
Increase/(decrease) in payables	**999.1**	(1,369.8)
Increase/(decrease) in current tax balances	**38.9**	(28.1)
Decrease/(increase) in net deferred tax assets	**120.9**	(271.9)
(Decrease)/increase in provisions	**(65.0)**	350.0
Finance cost paid	**(49.8)**	(43.7)
Lease interest paid	**(54.9)**	(57.2)
Income taxes paid	**(38.2)**	(55.2)
Net operating cash inflows	**634.6**	267.6

G6 Auditor remuneration

Thousands of dollars	2021	2020
Audit and review services		
Auditors of the Group – KPMG		
Audit and review of financial statements – Group[(i)]	**1,788.0**	1,492.9
Audit and review of financial statements – controlled entities	**308.0**	173.9
	2,096.0	1,666.8
Assurance services		
Auditors of the Group – KPMG		
Regulatory assurance services	**100.0**	31.5
Other assurance services	**48.5**	10.1
	148.5	41.6
Other services		
Auditors of the Group – KPMG		
Taxation advice and tax compliance services	**17.4**	14.5
Other services	**-**	559.5
	17.4	574.0

(i) The 2021 audit fee includes one off audit work in respect of the impact of COVID-19 on financial statement balances.

G7 Net tangible assets per share

Millions of dollars	2021	2020
Net tangible assets per share	**10.78**	9.58

Net tangible assets are net assets attributable to members of the Group less intangible assets. The number of ordinary shares used in the calculation of net tangible assets per share was 238.3 million (2020: 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 2022, 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 reporting date

Dividend

On 21 February 2022, the Directors declared a fully franked final dividend. Refer to Note B5 for further information.

COVID-19

The emergence of the Omicron variant of COVID-19 has impacted recent trading and the situation continues to evolve. The Group continues to monitor and review the safeguarding and health of its people and customers, business continuity and cashflow. Nonetheless, the improved momentum in key profitability drivers in the fourth quarter of 2021, coupled with higher refiner margins, reinforced the responsiveness of the Group’s earnings to more favourable market conditions.

Other

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 2021 to the date of this report.

Shareholder Information

As at 26 January 2022

Share capital

There are 238,302,099 fully paid ordinary shares on issue, held by 27,894 holders.

Holders with less than a marketable parcel

469 shareholders hold less than a marketable parcel of $500 based on a share price of $29.01 per share.

Shares purchased on-market

From 1 January 2021, 25,388 fully paid ordinary shares were purchased on-market at an average cost of $27.60 per share for the purpose of the Ampol Limited Employee Share Plan.

From 1 January 2021, 20,457 fully paid ordinary shares were purchased on-market at an average cost of $27.64 per share for the purpose of the Ampol Limited Equity Incentive Plan.

Substantial shareholders

Substantial shareholder	Number of shares held	% of issued capital
Australian Retirement Fund	27,712,722	11.63
State Street Corporation	17,497,546	7.34
BlackRock Inc	15,309,973	6.42
Airlie Funds Mgt	12,354,008	5.18

Shareholder distribution

Range	Total holders	Units	% of issued capital
1 – 1,000	22,044	7,955,199	3.34
1,001 – 5,000	5,165	11,047,361	4.64
5,001 – 10,000	457	3,283,338	1.38
10,001 – 100,000	198	4,791,116	2.00
Over 100,001	30	211,225,085	88.64
Total	**27,894**	**238,302,099**	**100.00**

Top 20 shareholders

Details of the 20 largest shareholders of Ampol Limited are listed in the table below.

Rank	Shareholders	Number of shares held	% of issued shares
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	88,668,079	37.21
2	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	66,528,024	27.92
3	CITICORP NOMINEES PTY LIMITED	25,530,588	10.71
4	NATIONAL NOMINEES LIMITED	10,357,653	4.35
5	BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	4,845,524	2.03
6	BNP PARIBAS NOMINEES PTY LTD <DRP>	3,510,545	1.47
7	CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	1,852,975	0.78
8	BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM	1,849,125	0.78
9	BNP PARIBAS NOMINEES PTY LTD SIX SIS LTD <DRP A/C>	1,528,145	0.64
10	UBS NOMINEES PTY LTD	1,159,632	0.49
11	WARBONT NOMINEES PTY LTD <SETTLEMENT ENTREPOT A/C>	937,000	0.39
12	MUTUAL TRUST PTY LTD	586,515	0.25
13	CITICORP NOMINEES PTY LIMITED <CITIBANK NY ADR DEP A/C>	381,878	0.16
14	BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING COLLATERAL>	381,500	0.16
15	BNP PARIBAS NOMS PTY LTD <GLOBAL MARKETS DRP>	344,848	0.14
16	BNP PARIBAS NOMINEES PTY LTD BARCLAYS <DRP A/C>	289,408	0.12
17	BNP PARIBAS NOMINEES (NZ) LTD <DRP>	217,129	0.09
18	BRISPOT NOMINEES PTY LTD <HOUSE HEAD NOMINEE A/C>	210,488	0.09
19	NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	197,870	0.08
20	BNP PARIBAS NOMINEES PTY LTD <HUB24 CUSTODIAL SERV LTD DRP>	172,585	0.07
Totals: Top 20 holders of ORDINARY FULLY PAID SHARES (Total)		**209,549,511**	**87.93**
Total remaining holders balance		**28,752,588**	**12.07**

Voting rights

Shareholders in Ampol Limited have a right to attend and vote at all general meetings in accordance with the Company's Constitution, the *Corporations Act 2001* (Cth) and the ASX Listing Rules.

Corporate Governance Statement

A copy of the Corporate Governance Statement can be found on our website. Visit: www.ampol.com.au

Australian Securities Exchange

The Company's fully paid ordinary shares (ASX:ALD) are listed on the Australian Securities Exchange.

Company secretaries

Michael Abbott is appointed as Company Secretary of Ampol Limited.

Directory

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