



Vivo Energy plc

(LSE: VVO & JSE: VVO)

3 March 2021

2020 Full Year Results

Vivo Energy plc, the leading pan-African retailer and distributor of Shell and Engen-branded fuels and lubricants, today announces its consolidated financial results for the twelve-months ended 31 December 2020.

Christian Chammas, CEO of Vivo Energy plc, commented:

“2020 was a year like no other, but we saw a strong recovery in H2 and continued to deliver against our strategy. Full year performance was driven by a strong rebound in the second half with H2 Adjusted EBITDA slightly ahead of H2 2019 at \$220m, leading to full year Adjusted EBITDA of \$360m, down 16% on 2019. The recovery would not have been possible without the actions we took to support our stakeholders which meant that as demand recovered, we were ready and able to supply our customers and keep the continent moving. The strong recovery has reinforced our confidence in the future, and the Board has recommended a final dividend of 3.8 cents, in line with our progressive dividend policy. Our markets have not been knocked off course by the pandemic, with a young and growing population driving economic development and future fuel demand. We are focused on capturing this growth and at the same time believe our cash flows support a higher level of shareholder returns and so have increased the minimum pay-out ratio from 30% to 50% of attributable net income. We have started 2021 well and are confident we can continue to successfully navigate future challenges and deliver long-term growth and returns for all of our stakeholders.”

KEY PERFORMANCE INDICATORS¹

(\$ in millions), if not otherwise indicated	Twelve-month period ended 31 Dec 2020	Twelve-month period ended 31 Dec 2019	Change
Volumes (million litres)	9,637	10,417	-7%
Revenues	6,918	8,302	-17%
Gross Profit	617	675	-9%
Gross Cash Unit Margin (\$/'000 litres)	72	71	+1%
Gross Cash Profit	697	743	-6%
EBITDA	360	416	-13%
Adjusted EBITDA	360	431	-16%
Net Income	90	150	-40%
Attributable Net Income	80	136	-41%
Diluted EPS (US cents)	6	11	-45%
Adjusted Net Income	90	162	-44%
Adjusted Diluted EPS (US cents)	6	12	-50%

¹Refer to the non-GAAP financial measures definitions and reconciliations to the most comparable IFRS measures on pages 17 to 19.

Financial Highlights

- Sales volume fell by 7% due to the impact of COVID-19 on mobility in our markets
- Revenue was down 17%, reflecting the lower volumes sold and the lower crude oil price environment
- Gross profit fell 9% to \$617 million
- Gross cash unit margin rose to \$72/'000 litres due to positive pricing and mix effects in H2
- Strong rebound in the second half drove H2 Adjusted EBITDA of \$220 million, slightly ahead of H2 2019, leading to both full year Adjusted EBITDA and EBITDA of \$360 million
- Net income was down 40% to \$90 million, impacted by negative operating leverage due to lower volumes
- Diluted EPS of 6 cents and Basic headline EPS of 6 cents, were both 45% below 2019
- Recommended final dividend of 3.8 cents per share, in line with the full year dividend proposed for 2019



Strategic and Operational Highlights

- Strong HSSEQ performance, with Total Recordable Case Frequency of 0.10 across the Group
- Adapted sites to keep employees, service station colleagues and customers safe and secure
- Expanded Retail network to 2,330 sites, by opening a net total of 104 new retail service stations
- Delivering against strategy in Engen markets, by expanding Retail network by 14% during the year
- Protected jobs of our employees and supported our dealers and hauliers
- Supported our communities through investment into over 130 community projects
- Agreed our first project to supply hybrid solar power to a gold mining customer in West Africa

Outlook

The Group experienced a swift recovery in H2 2020, delivering strong financial performance and has growing confidence for the future, with the positive H2 2020 trends expected to continue into 2021. We navigated the first twelve months of the pandemic successfully, strengthening our market position in our key markets and continuing to invest in growing our network and offerings. Assuming the level of restrictions in our operating countries do not materially change, we anticipate that the progressive recovery in the Retail segment, driven by increasing mobility, will support business performance, with Aviation and Marine remaining subdued. We continue to invest in growing the business, with capital expenditure expected to be in line with 2020 levels, at around \$160 million as we invest in growing and upgrading the retail network and our offerings across all 23 countries, with 90-110 net new sites targeted for the year.

We have leading market positions in structural growth markets across Africa, which are expected to see a rapid recovery in economic growth in 2021 and beyond, driven by the macro fundamentals on the continent. The pandemic slowed, but has not stopped this growth, and with a young and growing population, an emerging middle class and increasing car penetration, fuel demand in our markets will continue to grow in the coming years, underpinning our long term growth ambitions.

Throughout 2020 we maintained a strong balance sheet, and in Q3 completed a bond refinancing, which enhanced our capital structure and provides improved flexibility for capital allocation. Looking forward, we are focused on continuing to capture the growth opportunity that exists within our markets, and believe that at the same time, the level of cash flow generated within the Group and the balance sheet flexibility means that we are able to support a higher level of shareholder returns. We demonstrated our commitment to dividends by maintaining our progressive policy through the pandemic and believe that now is the right time to increase the minimum pay-out ratio from 30% to 50% of attributable net income, and intend for future dividends to grow in line with earnings.

End



Results presentation

Vivo Energy plc will host a webcast for analysts and investors today, 3 March 2021 at 09.00 GMT, which can be accessed at: <https://webcasting.brrmedia.co.uk/broadcast/60228775a9190e2d3caa5759>

For those wishing to ask a question, please dial in to the event by conference call:

Dial-in: +44 (0)330 336 9125 / +27 11 844 6118

Participant access code: 3813098

The replay of the webcast will be available after the event at <https://investors.vivoenergy.com>

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Notes to editors:

Vivo Energy operates and markets its products in countries across North, West, East and Southern Africa. The Group has a network of over 2,300 service stations in 23 countries operating under the Shell and Engen brands and exports lubricants to a number of other African countries. Its retail offering includes fuels, lubricants, card services, shops, restaurants and other non-fuel services. It provides fuels, lubricants and liquefied petroleum gas (LPG) to business customers across a range of sectors including marine, mining, construction, power, transport, wholesalers and manufacturing. The Company employs around 2,700 people and has access to over 1,000,000 cubic metres of fuel storage capacity and has a joint venture, Shell and Vivo Lubricants B.V., that sources, blends, packages and supplies Shell-branded lubricants.

Vivo Energy plc has a primary listing on the London Stock Exchange, and is a member of the FTSE 250 index, with a secondary inward listing on the Johannesburg Stock Exchange.

For more information about Vivo Energy, please visit www.vivoenergy.com

Forward looking-statements

This report includes forward-looking statements. These forward-looking statements involve known and unknown risks and uncertainties, many of which are beyond the Company's control and all of which are based on the Directors' current beliefs and expectations about future events. Forward-looking statements are sometimes identified by the use of forward-looking terminology such as "believe", "expects", "may", "will", "could", "should", "shall", "risk", "intends", "estimates", "aims", "plans", "predicts", "continues", "assumes", "positioned", "anticipates" or "targets" or the negative thereof, other variations thereon or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this report and include statements regarding the intentions, beliefs or current expectations of the Directors or the Group concerning, among other things, the future results of operations, financial condition, prospects, growth, strategies of the Group and the industry in which it operates. No assurance can be given that such future results will be achieved; actual events or results may differ materially as a result of risks and uncertainties facing the Group. Such risks and uncertainties could cause actual results to vary materially from the future results indicated, expressed, or implied in such forward-looking statements. Such forward-looking statements contained in this report speak only as of the date of this report. The Company and the Directors expressly disclaim any obligation or undertaking to update these forward-looking statements contained in the document to reflect any change in their expectations or any change in events, conditions, or circumstances on which such statements are based unless required to do so by applicable law.

CHIEF EXECUTIVE OFFICER'S STATEMENT

If 2019 was a year of firsts for Vivo Energy, 2020 was a year like no other. In 40 years of working, across four continents and through many macroeconomic cycles, I have never experienced the conditions we saw during the year.

My overriding memory of the year, however, is one of pride and togetherness. It was remarkable how each and every one of our employees, contractors and partners stood up and made a difference in the fight against COVID-19.

Our position at the heart of our host economies means that we played a critical role in fuelling the continent's response to COVID-19, not only by keeping sites open and customers fuelled, but also by supporting our many stakeholders through a difficult time.

IMPACT OF COVID-19 ON OUR MARKETS

We started the year full of optimism, with the integration of the Engen-branded markets effectively completed, and strong performance in our Shell-branded markets. It was only late in Q1 that we started to feel the impact from measures to prevent the spread of COVID-19 in our markets. However, recognising the risk posed by the spread of the virus, we had already taken the first of many actions to protect our people, preventing international travel from the end of January, and updating existing business continuity plans to reflect potential scenarios.

Few would have foreseen that at the pandemic's peak in April and May, nine of our 23 markets would follow Europe into complete lockdown of their economies, as a preventive measure against the spread of the virus. These markets represented 50% of our Group volumes the previous year, with some of these markets experiencing declines of up to 70% in monthly volumes during H1. All of our other host countries also implemented movement restrictions such as curfews as well as social distancing measures.

Vivo Energy's first priority has, and always will be, the health and safety of our people, our customers, and the communities where we operate. We acted quickly and decisively, implementing a range of preventive and protective health and safety measures including remote working and split shift patterns. We also took actions to protect our customers when they visit our sites.

The resilience that the African continent has shown during the COVID-19 pandemic has been nothing short of remarkable. At the outset of the pandemic, many experts rightly feared a human and economic catastrophe across the region, however, Africa is a young and vibrant continent, with a median age in our host countries of less than 25 years old. In facing a disease that disproportionately impacts the old, this demographic should provide real protection against major illness. It has been encouraging to see that healthcare systems have not been overrun, and the majority of our countries have tried to keep their economies open and their people in employment following the initial lockdowns.

I do not wish to underplay the impact of the pandemic on our markets, with lower tourism, investment and economic activity, and uncertainty remains as long as the virus persists, but these are markets that have not been knocked off course. The young and growing population is driving economic development and Vivo Energy is helping to fuel that growth. The IMF expects GDP in 2020 to have fallen by 3.1% on average across our operating countries (excluding Reunion), but following a strong 4.5% rebound forecast for 2021, expects average GDP growth of 5.2% between 2022 and 2025. This would be one of the highest growth rates in the world – and we expect that it, together with our focus on growing market share, will provide a strong base for future growth.

DECISIVE ACTION TO PROTECT OUR BUSINESS AND ENABLE RECOVERY

While the scale of the changes to the operating environment were unprecedented, our reaction was testament to the well-established culture and operating model we have in Vivo Energy. Our decentralised model meant that we had the right people on the ground to react quickly to the changing conditions, managing working capital, credit and cash as well as working with our stakeholders to make sure we supported each other. The investment in our Enterprise Resource Planning (ERP) system meant that we had real time data with which to inform decision making, and this helped the Senior Executive Team to make the right decisions and guide our local teams.

As a result, we were able to limit the many impacts of the pandemic on our business, reducing supply and protecting our balance sheet through April and May. Fuel is, and will continue to be, the lifeblood of our economies, enabling economic activity and development. As the strictest mobility restrictions were lifted, demand returned rapidly at our retail sites in June and through the second half of the year. Only the Aviation and Marine businesses, which have represented less than 4% of the Group gross cash profit on average over the past three years, have remained subdued due to international travel restrictions.

The swift demand recovery and our nimble supply chain meant that we have been able to deliver strong performance through the second half of the year, which limited the reduction in full year gross cash profit to 6% against 2019. This fall is driven by volumes being down just 7% against 2019, despite a reduction of volumes during April and May of approximately 30%, the Aviation and Marine impact and restrictions continuing through the year in many markets. We also saw Group gross cash unit margin remain largely stable over the previous year at \$72 per thousand litres, with H1 gross cash unit margin impacted by inventory impacts, and H2 seeing a reversal of this and benefiting from the mix effect as well as the supply and pricing environment.

This robust performance led to adjusted EBITDA of \$360 million, down 16% against the previous year, and Basic earnings per share of 6 cents, 45% lower than 2019 as our normally beneficial operating leverage worked against us due to the lower volumes.

While the full year performance was lower than 2019, H2 2020 performance was in line with the previous year and demonstrates the resilience of our business despite the turbulence in the markets.

2020 was a challenging year on a number of levels, and I was delighted at how we responded. However, our share price has not recovered in line with performance and remains at disappointing levels. I believe that as we deliver against our growth plans, and show our commitment to shareholder returns, this will be recognised in time by the market and reflected in our valuation.

SUPPORTING OUR STAKEHOLDERS

With a vision to become the most respected energy business in Africa, we've always aimed to provide a positive impact for all of our stakeholders. I believe this is firmly demonstrated by our actions through the current pandemic and reflects the integration of sustainable business practices into our culture and operations.

We have supported and protected our stakeholders through the pandemic and worked closely with our dealer network and our transporters to protect the jobs of the front-line staff employed by them while volumes were low. We have also played our part in supporting the communities in which we operate by delivering over 130 community investment projects ranging from donations of food, fuel and protective equipment to the blending of hand sanitiser.

We have continued to carefully manage our impact on the environment, keep our people safe, healthy, well trained and supported, as well as having stringent oversight to mitigate some of the inherent risks in our markets around fraud, bribery and corruption.

One area that has rightly come to prominence during the past year is climate change, and we outline further in the report our commitment to playing our part in reducing the impact of carbon emissions and the long-term transition to low carbon energies. This fits firmly with our purpose to safely provide innovative and responsible energy solutions to Africa, which enable growth and development of the continent and its people. In our markets we expect there will be a significantly longer transition than in Europe, due to a lack of infrastructure, affordability and reliable access to electricity, meaning that demand for fuels are forecast to continue to grow rapidly over the medium term. We have a central part to play in making sure those fuels are as clean as possible, that we provide our customers with the offerings they need and that when commercial alternatives become a reality, we will be well-positioned to capitalise on them.

CAPITAL STRUCTURE

Maintaining a conservative balance sheet in order to provide maximum future flexibility is a core element of our strategy. Due to the nature of our operating model, each market self-funds its needs through both organic cash generation, as well as access to local facilities. These local facilities in aggregate amount to \$1.6 billion, with each country's access to finance scaled according to its needs. The level of access to local facilities and our close management of working capital meant that the business was comfortably able to weather the storm at the height of the mobility restrictions.

At the Group level, we've explored for some time the opportunity to re-finance an amortising facility that was due to mature in 2022, in order to remove the need to repay circa \$80 million of capital per annum. In September 2020, bond market conditions improved and we successfully priced a \$350 million debt offering with a seven-year tenor at 5.125%. The offering was multiple times oversubscribed and increases the Group's flexibility for future capital allocation while significantly extending the debt maturities at attractive rates. The bond has an investment grade rating of Baa3 from Moody's and ratings of BB+ from Fitch and S&P reflecting the underlying strength of our business model and financial position.

Earlier in the year, as a result of the uncertainty created by the pandemic, the Group did not pay the final dividend in respect of 2019 in June 2020, as previously expected. This was a prudent decision taken by the Board at the height of the restrictions and impact on the business. The Board also opted not to pay an interim dividend in respect of H1 2020 at the half-year results due to the short time period of recovery that had been underway. However, following the continued recovery in trading through the third quarter, the Board declared an interim dividend of \$34 million, which is the amount that would have been paid to shareholders had the final dividend of the year ended 31 December 2019 been paid, rather than withdrawn.

Due to the positive performance continuing in Q4, the Board has recommended a final dividend of 3.8 cents per share (\$48 million) in respect of 2020. This is in line with our stated progressive dividend policy and equal to the proposed 2019 full year dividend of 3.8 cents, despite the impacts of COVID-19 on the business during the year. If approved at our AGM, the final dividend will be paid to shareholders on 25 June 2021.

LOOKING AHEAD

The Group experienced a swift recovery in H2 2020, delivering strong financial performance and has growing confidence for the future, with the positive H2 2020 trends expected to continue into 2021. We navigated the first twelve months of the pandemic successfully, strengthening our market position in our key markets and continuing to invest in growing our network and offerings. Assuming the level of restrictions in our operating countries do not materially change, we anticipate that the progressive recovery in the Retail segment, driven by increasing mobility, will support business performance, with Aviation and Marine remaining subdued. We continue to invest in growing the business, with capital expenditure expected to be in line with 2020 levels, at around \$160 million as we invest in growing and upgrading the retail network and our offerings across all 23 countries, with 90-110 net new sites targeted for the year.

We have leading market positions in structural growth markets across Africa, which are expected to see a rapid recovery in economic growth in 2021 and beyond, driven by the macro fundamentals on the continent. The pandemic slowed, but has not stopped this growth, and with a young and growing population, an emerging middle class and increasing car penetration, fuel demand in our markets will continue to grow in the coming years, underpinning our long term growth ambitions.

Throughout 2020 we maintained a strong balance sheet, and in Q3 completed a bond refinancing, which enhanced our capital structure and provides improved flexibility for capital allocation. Looking forward, we are focused on continuing to capture the growth opportunity that exists within our markets, and believe that at the same time, the level of cash flow generated within the Group and the balance sheet flexibility means that we are able to support a higher level of shareholder returns. We demonstrated our commitment to dividends by maintaining our progressive policy through the pandemic and believe that now is the right time to increase the minimum pay-out ratio from 30% to 50% of attributable net income, and intend for future dividends to grow in line with earnings.

CHRISTIAN CHAMMAS
CHIEF EXECUTIVE OFFICER

OPERATING REVIEW

OVERVIEW OF OPERATIONS BY SEGMENT

US\$ million, unless otherwise indicated	2020	2019	Change
Volumes (million litres)			
Retail	5,456	5,900	-8%
Commercial	4,045	4,380	-8%
Lubricants	136	137	-1%
Total	9,637	10,417	-7%
Gross profit			
Retail (including Non-fuel retail)	387	411	-6%
Commercial	156	192	-19%
Lubricants	74	72	+3%
Total	617	675	-9%
Gross cash unit margin (\$/000 litres)			
Retail (excluding Non-fuel retail)	76	71	+7%
Commercial	45	49	-8%
Lubricants	570	547	+4%
Total	72	71	+1%
Gross cash profit			
Retail (including Non-fuel retail)	438	454	-4%
Commercial	181	214	-15%
Lubricants	78	75	+4%
Total	697	743	-6%
Adjusted EBITDA			
Retail	216	242	-11%
Commercial	92	135	-32%
Lubricants	52	54	-4%
Total	360	431	-16%

RETAIL

US\$ million, unless otherwise indicated	2020	2019	Change
Volumes (million litres)	5,456	5,900	-8%
Gross profit (including Non-fuel retail)	387	411	-6%
Gross cash unit margin (excluding Non-fuel retail) (\$/'000 litres)	76	71	+7%
Retail fuel gross cash profit	412	421	-2%
Non-fuel retail gross cash profit	26	33	-21%
Adjusted EBITDA	216	242	-11%

OVERVIEW

With a growing footprint across the African continent, Retail is at the heart of our business and has driven our business recovery during the second half of the year. Our modern, safe and clean sites provide our customers with access to high quality products, services and increased convenience wherever we operate.

2020 REVIEW

Our Retail business segment delivered resilient results despite the impact of COVID-19 on our operating environment. The segment made a strong start to the year before COVID-19 related containment measures led to a significant decrease in demand. As mobility restrictions were gradually eased across our host countries, we registered strong improvements in volumes, gross cash profit and adjusted EBITDA in the second half of the year.

RETAIL FUEL

Retail fuel volumes were 8% lower in 2020. Strong trading at the beginning of the year was more than offset by COVID-19 mobility restrictions imposed across our portfolio in late Q1, significantly impacting results in Q2, particularly in April and May. As measures were lifted, there was a strong rebound in demand, due to fuel being a consumer staple, which continued through H2. While we saw a rapid recovery in volumes, with some countries experiencing year-on-year growth in H2, mobility restrictions remained in place across many countries, suppressing demand.

To drive the recovery process, we implemented a range of initiatives to support our sites and attract customers by positioning our retail stations as the safest sites to refuel in the industry, offering auxiliary services and improving convenience. We completed the 'Shining Engen' programme in January 2020 and undertook a 'Shining Shell' programme through the rest of the year, providing enhancements to over 300 sites. We continued to grow our network, opening a net total of 104 sites, despite fluctuations in product demand, which supported volume growth in H2.

In line with our strategy to expand our position in Engen-branded markets, we acquired new sites in Zambia and Rwanda, increasing our networks by 21% and 35% respectively. In Tanzania, a large Engen-branded market, we have organically grown our network from seven sites in March 2019 to 20 sites in December 2020.

Gross cash unit margin was higher than the previous year at \$76 per thousand litres. In H1, unit margins were impacted by the combined impact of the reduction in demand that increased inventory levels and the sharp fall in crude oil prices in March and April, which led to negative inventory effects on the stock on hand. Unit margins improved in H2 as a result of the supply and pricing environment in a number of our markets, together with strong margin performance in premium fuels.

NON-FUEL RETAIL

We continued to develop our Non-fuel retail segment, with a net total of 58 convenience retail shops and pharmacies and 20 food outlets added at our service stations. Our financial performance was impacted by COVID-19 restrictions, but remained robust, with gross cash profit of \$26 million, down 21% in 2020. The mobility restrictions led to lower traffic at our sites, affected store opening hours and, in some cases led to store closures for periods during the year. We noted strong improvement in most markets in H2, however in certain markets, such as Morocco, ongoing restrictions on travel between regions have impacted sales at large motorway sites, which are traditionally large contributors.

Due to the pandemic, we saw an evolution in consumer behaviour. Our QSR takeaway and drive-through offerings became more vital and we adapted our offerings accordingly, including working with delivery partners in a number of our markets. In convenience retail, we have changed product lines to meet increased demand for personal health products, as well as trialling click and collect propositions.

We continued to expand our portfolio of joint ventures with QSR partners to enable the faster roll-out of new restaurants. We completed a joint venture in Namibia for the KFC brand, now the sixth country in which we have exclusive use of the KFC brand, and launched our first joint venture in Tunisia with Pomme de Pain.

COMMERCIAL

US\$ million, unless otherwise indicated	2020	2019	Change
Volumes (million litres)	4,045	4,380	-8%
Gross profit	156	192	-19%
Gross cash unit margin (\$/000 litres)	45	49	-8%
Gross cash profit	181	214	-15%
Adjusted EBITDA	92	135	-32%

OVERVIEW

We ensure reliable supply of high quality fuels and LPG products to a wide range of customers in the mining, construction, power, road transport, aviation and marine sectors. We provide those products with extensive and trusted services, to ensure we add value beyond the products we sell.

2020 REVIEW

Our Commercial segment volumes were lower by 8% year-on-year, mainly due to the impact of weaker Aviation and Marine volumes arising from travel restrictions imposed as a result of COVID-19. However, volume-performance in Core Commercial was strong. Gross cash unit margins of \$45 per thousand litres was down 8% year-on-year primarily due to the negative inventory effects on the stock on hand in H1 2020. Gross cash profit of \$181 million (2019: \$214 million) was therefore 15% lower than the previous year.

CORE COMMERCIAL

Our Core Commercial business offers a range of services including the supply of bulk fuel to customers in the transportation, mining, construction and power sectors, as well as LPG to both consumers and industry. Core Commercial accounted for 85% (2019: 75%) of total Commercial volumes and 93% (2019: 82%) of overall Commercial gross cash profit. Volumes were 5% higher year-on-year mainly due to two months of additional contribution from the Engen-branded markets, aided by our tactical approach to the resellers market to take advantage of disrupted supply chains, as well as a robust performance in the LPG business due to the use of gas for home cooking. Furthermore, many of our key mining customers continued to operate as they were not significantly impacted by COVID-19. Volumes in H2 2020 compared to the prior period, were negatively impacted by the completion of a large circa 12-month supply contract in September, however underlying trends remained positive.

Gross cash unit margin was down 9% year-on-year due to negative inventory effects and lower margin sales to resellers, export customers and industrial users in the LPG business. This was partially offset by favourable supply margins in some markets. As a result, unit margins were \$49 per thousand litres (2019: \$54 per thousand litres) in Core Commercial.

AVIATION AND MARINE

The contribution from Aviation and Marine fell significantly due to the impact of travel restrictions arising from COVID-19, accounting for just 15% of overall Commercial volumes (2019: 25%) and 7% of total Commercial gross cash profit (2019: 18%). These restrictions resulted in volumes being 46% lower than the previous year and unit margins falling to \$21 per thousand litres (2019: \$35 per thousand litres).

The Aviation business registered the largest drop in volumes, down 55% year-on-year as most airlines were restricted to cargo and repatriation flights across our markets at the peak of the pandemic. We experienced a small improvement in the second half of the year following the partial lifting of travel restrictions and the opening of borders in some countries, although we expect that Aviation volumes will remain subdued for some time. The Marine business also recorded lower volumes as a result of lower cargo and cruise line movements in key markets. Partially offsetting this, we secured profitable Marine spot sales in some markets resulting in a 28% increase in the unit margin.

LUBRICANTS

US\$ million, unless otherwise indicated	2020	2019	Change
Volumes (million litres)	136	137	-1%
Gross profit	74	72	+3%
Revenues	366	375	-2%
Gross cash unit margin (\$/000 litres)	570	547	+4%
Gross cash profit	78	75	+4%
Adjusted EBITDA	52	54	-4%

OVERVIEW

We offer an extensive range of leading-edge lubricants to different sectors, backed by approval from a wide range of equipment manufacturers. We sell lubricants on the forecourt and through distributors while also providing essential value to many Commercial customers via a wide range of specialist products and services.

2020 REVIEW

The performance of our Lubricants segment remained solid despite the drop in demand arising from COVID-19, which significantly impacted the performance of our Retail business in key markets. The gradual easing of mobility restrictions generated significant improvement in the second half of the year, with volumes remaining broadly flat year-on-year due to two months of additional contribution from Engen-branded entities and marketing initiatives implemented to aid the recovery process. Unit margins were up 4% year-on-year at \$570 per thousand litres (2019: \$547 per thousand litres) due to favourable base oil prices.

Gross cash profit of \$78 million was therefore 4% up year-on-year due to good unit margins and volumes.

RETAIL LUBRICANTS

We sell Retail lubricants on the forecourt in our service stations to Retail customers and also through distributors to other consumers (B2C). Retail lubricants accounted for 62% of total segment volume (2019: 61%) and 63% of segment gross cash profit (2019: 60%).

Volumes sold were flat year-on-year despite the significant impact of lower traffic at our retail sites arising from COVID-19 containment measures. Following the easing of COVID-19 measures, the strong H2 2020 performance was driven by a range of sales promotions, active selling on our forecourts and engagement with our distributors. This demonstrates the strong underlying demand for lubricants in our markets due to the age of the car parc and the strength of our Lubricants brand.

Unit margins were higher year-on-year at \$577 per thousand litres (2019: \$542 per thousand litres) due to improved sales of our premium lubricants in the second half of the year and favourable base oil prices.

COMMERCIAL LUBRICANTS

We sell Commercial lubricants to customers across our operating units and also to export customers in other countries. Commercial volumes accounted for 38% of total Lubricants volume (2019: 39%) and 37% of gross cash profit (2019: 40%).

Volumes were down 4% to 52 million litres year-on-year mainly due to lower sales in several export markets. There were also lower sales volumes in the first half of the year in the construction and power sectors, which were impacted by lockdown restrictions. Significant improvements were, however, registered during the second half of the year as COVID-19 restrictions were gradually lifted.

Unit margins increased by 2% year-on-year to \$569 per thousand litres (2019: \$556 per thousand litres) due to the favourable product mix and lower base oil prices, partially offset by unfavourable exchange rate movements.

FINANCIAL REVIEW

CONSOLIDATED RESULTS OF OPERATIONS

SUMMARY INCOME STATEMENT

US\$ million	2020	2019	Change
Revenues	6,918	8,302	-17%
Cost of sales	(6,301)	(7,627)	-17%
Gross profit	617	675	-9%
Selling and marketing cost	(226)	(224)	+1%
General and administrative cost	(176)	(165)	+7%
Share of profit of joint ventures and associates	16	22	-27%
Other income/(expense)	4	2	+100%
EBIT	235	310	-24%
Finance expense – net	(60)	(64)	-6%
EBT	175	246	-29%
Income taxes	(85)	(96)	-11%
Net income	90	150	-40%

Earnings per share (US\$)	2020	2019	Change
Basic	0.06	0.11	-45%
Diluted	0.06	0.11	-45%

NON-GAAP MEASURES

US\$ million, unless otherwise indicated	2020	2019	Change
Volumes (million litres)	9,637	10,417	-7%
Gross cash profit	697	743	-6%
EBITDA	360	416	-13%
Adjusted EBITDA	360	431	-16%
ETR (%)	49%	39%	n/a
Adjusted net income	90	162	-44%
Adjusted diluted EPS (US\$)	0.06	0.12	-50%

ANALYSIS OF CONSOLIDATED RESULTS OF OPERATIONS

VOLUMES

After a strong start to the year, with double digit volume growth in January and February, volumes sold were 7% lower year-on-year due to severe mobility restrictions imposed in the first half of the year to contain the spread of the COVID-19 pandemic. The Aviation, Marine and Retail businesses were significantly impacted by these restrictions, while Commercial fuel and LPG remained robust. The Group made significant recovery in the second half of the year as the containment measures were gradually eased. Aviation sales however remained subdued due to continuing restrictions on international travel.

REVENUE

Revenue was 17% down year-on-year at \$6,918 million (2019: \$8,302 million), reflecting the significant decline in crude oil prices and contraction in demand due to the COVID-19 related mobility restrictions.

COST OF SALES

Cost of sales were lower by \$1,326 million, or 17%, to \$6,301 million in 2020. The decrease is mainly due to lower purchases in line with sales volumes and lower cost of inventory due to the significant decrease in crude oil prices during the year.

GROSS PROFIT

Gross profit was \$617 million, down 9% year-on-year mainly due to lower volumes, reflecting the effect of lower demand for oil products due to COVID-19.

GROSS CASH PROFIT

Gross cash profit was down 6% year-on-year to \$697 million, mostly due to lower volumes, partially offset by higher gross cash unit margin. The Group started the year strongly, with over 20% growth in gross cash profit during the first two months of the year, before COVID-19 related restrictions caused an unprecedented drop in demand. The Group also took deliberate action at the peak of the pandemic to reduce inventory levels by making targeted sales of excess stock at lower margins. As restrictions were gradually eased across our markets, the Group saw a strong rebound in the second half of the year, with gross cash profit recovering well and unit margins benefiting from product mix and positive pricing. Accounting for hyperinflation however had a negative impact of c.\$2 million (2019: +\$3 million) on the gross cash profit.

SELLING AND MARKETING COST

Selling and marketing cost remained broadly in line with 2019 and was mainly impacted by an additional two months cost contribution from Engen-branded markets and a first full year of amortisation relating to our newly implemented ERP system. This was partially offset by lower spend on marketing campaigns, a decrease in non-essential spend during the pandemic and favourable foreign currency exchange effects.

GENERAL AND ADMINISTRATIVE COST

General and administrative cost, including special items, increased by \$11 million to \$176 million in 2020 (2019: \$165 million). This was mainly due to two months' additional cost from Engen-branded markets, COVID-19 pandemic related donations provided to communities where Vivo Energy operates and higher depreciation and amortisation expense. The higher cost was partially offset by a positive foreign currency exchange effect.

SHARE OF PROFIT FROM JOINT VENTURES AND ASSOCIATES

Share of profit from joint ventures and associates decreased by \$6 million to \$16 million mainly due to the impact of COVID-19 on SVL, our joint ventures in Morocco and our investments in QSR joint ventures that were negatively affected by temporary restaurant closures during lockdowns. In a number of markets, our QSRs were open and operating delivery and takeaway services in the second half of the year.

OTHER INCOME

Other income of \$4 million (2019: \$2 million) mainly related to gains on disposal of PP&E.

ADJUSTED EBITDA

Adjusted EBITDA was \$360 million, down 16% year-on-year. The decrease is mostly attributable to lower volumes linked to the impact of the COVID-19 pandemic, higher general and administrative cost and a lower share of profit from our joint ventures and associates.

NET FINANCE EXPENSE

Net finance expense decreased by \$4 million to \$60 million, mainly due to foreign exchange gains and a lower impact resulting from the application of IAS 29 'Financial Reporting in Hyperinflationary Economies'. This was partially offset by higher interest expenses arising from increased use of short-term bank facilities at the peak of the COVID-19 pandemic and an additional two months of contribution from the Engen-branded markets.

INCOME TAXES

The ETR increased to 49% from 39% compared to the comparative period of 2019. The increase in the ETR is primarily due to the lower earnings before tax of \$175 million (2019: \$246 million) giving a higher relative impact of the permanent items and withholding tax on upstreamed dividends and central fees which are not linked to the current year earnings before tax level.

NET INCOME

Net income, including the impact of special items, was \$90 million, down 40% from \$150 million in 2019. Minority interest was \$10 million for the year (2019: \$14 million).

EARNINGS PER SHARE

Basic earnings per share amounted to 6 cents per share (2019: 11 cents per share). Adjusted diluted earnings per share, excluding the impact of special items, were 6 cents per share (2019: 12 cents per share).

CONSOLIDATED FINANCIAL POSITION

ASSETS

Trade receivables decreased by \$107 million from \$451 million in 2019 to \$344 million in 2020. The decrease was largely due to the impact of lower sales volumes, as a result of lower demand, and declining crude oil prices. Average monthly DSO¹ for the period was 16 days (2019: 17 days).

Other assets decreased by \$50 million from \$367 million in 2019 to \$317 million, mainly due to a decrease in other government benefits receivable and prepayments, partially offset by loans to joint ventures.

Inventories decreased by \$37 million from \$517 million in 2019 to \$480 million in 2020, mainly attributable to the decline in crude oil prices resulting in a lower stock value compared to 2019. Average inventory days for the period was 29 days (2019: 24 days), higher than 2019 as a result of lower market demand during the period.

Property, plant and equipment increased by \$66 million from \$823 million in 2019 to \$889 million in 2020. Capital expenditure was the key driver for the increase, partially offset by depreciation for the period.

The increase in right-of-use assets of \$25 million from \$176 million in 2019 to \$201 million in 2020 related to new leases, of which the majority were retail service stations, partially offset by depreciation for the period.

Investments in joint ventures and associates increased by \$4 million, from \$227 million in 2019 to \$231 million in 2020, resulting from \$16 million in share of profits and \$14 million related to newly acquired joint ventures during the period. These new joint ventures are Kuku Foods with operations in Kenya, Uganda and Rwanda and Synergy Foods operating in Namibia. This increase was partially offset by a dividend received of \$24 million.

Deferred tax assets increased by \$12 million from \$34 million in 2019 to \$46 million in 2020 mainly due to the increase in leases and tax losses for the period.

EQUITY

Total equity increased by \$8 million, from \$804 million in 2019 to \$812 million in 2020. The increase was primarily due to total comprehensive income for the year of \$47 million, partially offset by dividends.

LIABILITIES

Trade payables decreased by \$209 million from \$1,257 million in 2019 to \$1,048 million in 2020. The decrease was driven by lower purchases and costs, resulting from a global reduction in demand for fuel and declining crude oil prices. Average monthly DPO¹ for the period was 54 days (2019: 55 days).

Borrowings increased by \$82 million from \$600 million in 2019 to \$682 million in 2020. The increase is mainly attributable to the proceeds from notes issued of \$350 million, during September 2020, and increased short-term borrowing facilities to fund working capital requirements due to the impact of COVID-19 earlier in the year. The increase was partially offset by repayment of the Group's long and short-term loan obligations.

The increase in lease liabilities of \$18 million from \$125 million in 2019 to \$143 million in 2020 related to new leases, in line with the increase in right of use assets, partially offset by the repayment of lease instalments for the period.

DIVIDENDS

The Board has adopted a progressive dividend policy while maintaining an appropriate level of dividend cover and sufficient financial flexibility in the Group.

As part of the Group's response to the impact of the pandemic, the Board prudently withdrew its recommendation to pay a final dividend for 2019 in order to protect its balance sheet. It also opted not to declare an interim dividend in respect of H1 2020 performance at the time. However, due to the rapid actions taken by the Group to protect our business, the resilience of our business model and the performance of the business in the second half of the year, our balance sheet remained strong. As a result, and in recognition of the importance of dividends to shareholders, the Board paid an interim dividend in December 2020, in place of the withdrawn 2019 final dividend.

The recommended 2020 final dividend of 3.8 cents per share represents performance during the full 12 months of 2020 and should be seen as the base for future dividends rather than the 2020 total dividends paid of 6.5 cents per share.

In March 2021, the Board decided to increase the minimum payout ratio from 30% to 50% of attributable net income to reflect the Group's cash flows, strong balance sheet and continuing growth ambitions. The dividend remains progressive and the intent is for future dividends to grow in line with earnings. The Group declares its dividends in US dollars.

¹ Days sales outstanding (DSO) and days purchases outstanding (DPO) are based on monthly averages and on trade elements only.

LIQUIDITY AND CAPITAL RESOURCES

ADJUSTED FREE CASH FLOW

US\$ million	2020	2019
Net income	90	150
Adjustment for non-cash items and other	214	202
Current income tax paid	(89)	(83)
Net change in operating assets and liabilities and other adjustments ¹	48	176
Cash flow from operating activities	263	445
Net additions of PP&E and intangible assets ²	(163)	(147)
Free cash flow	100	298
Special items ³	12	27
Adjusted free cash flow	112	325

1 Net change in operating assets and liabilities and other adjustments includes finance expense.

2 Excluding cash flow from acquisition of businesses and other investing activities.

3 Cash impact of special items. Special items are explained and reconciled in the Non-GAAP financial measures.

Adjusted free cash flow decreased by \$213 million, from \$325 million in 2019 to \$112 million in 2020. The decrease was mainly due to lower cash inflows from operating activities, which were negatively affected by a decrease in the net change in operating assets and liabilities and other adjustments of \$128 million and a decrease in net income of \$60 million. In the prior year net changes in operating assets and liabilities and other adjustments benefitted from the timing of prepayments in relation to the fuel importation contracts in Kenya and the timing of payments to suppliers. During 2020, the Group had fewer importation contracts further contributing to the year-on-year decrease. The fluctuations in working capital are resulting from the impact of declining crude oil prices and market demand experienced during the year, and are the main drivers for the decrease in net change in operating assets and liabilities and other adjustments. Income tax paid amounted to \$89 million for the year ended 31 December 2020 (2019: \$83 million). Cash inflow from operating activities fully funded net capital expenditure of \$163 million in 2020 (2019: \$147 million).

CAPITAL EXPENDITURES

US\$ million	2020	2019
Maintenance	55	46
Growth	101	88
Special projects	12	15
Total	168	149

US\$ million	2020	2019
Retail	100	78
Commercial	29	27
Lubricants	3	2
Other (technology, supply and distribution and general corporate costs)	36	42
Total	168	149
Of which growth capital expenditure was:	101	88
Retail	74	61
Commercial	23	21
Lubricants	2	2
Other (technology, supply and distribution and general corporate costs)	2	4

Due to the impact of COVID-19 on the business, we strategically slowed down non-essential capital expenditure during the first half of the year. As a result of the rapid actions taken by the Group to protect the business and the resilience of our business model, investment into Growth accelerated in the second half of the year to take advantage of the opportunities in some of our markets. The majority of Growth expenditure was attributable to Retail projects which included the expansion of our retail network and Non-fuel retail offerings as well as acquisition of dealer networks in some of our markets. The 'Shining sites' project was established in 2019 to enhance our Retail network and ensure compliance with our stringent standards. During 2020, 320 retail sites were 'shined'.

Special projects relate to investments in the Group's new ERP system and projects to utilise its full potential for the business. In 2019, the Group implemented SAP S/4HANA in 15 countries and during 2020 we expanded this to a number of our joint venture and Group companies. The implementation process will continue in 2021 within the eight Engen-branded countries and is expected to be fully completed by the end of the year.

ROACE decreased from 21% in 2019 to 12% in 2020. The decrease is mainly due to lower earnings and an increase in capital employed compared to prior year.

NET DEBT AND AVAILABLE LIQUIDITY

US\$ million	31 December 2020	31 December 2019
Long-term debt	408	371
Lease liabilities	143	125
Total debt excluding short-term bank borrowings	551	496
Short-term bank borrowings ¹	274	229
Less cash and cash equivalents	(515)	(517)
Net debt	310	208

¹ Short-term bank borrowings exclude the current portion of the long-term debt.

US\$ million	31 December 2020	31 December 2019
Net debt	310	208
Adjusted EBITDA ¹	360	431
Leverage ratio¹	0.86x	0.48x

¹ For the description and reconciliation of non-GAAP measures refer to the Non-GAAP financial measures below.

US\$ million	31 December 2020	31 December 2019
Cash and cash equivalents	515	517
Available undrawn credit facilities	1,563	1,410
Available short-term capital resources	2,078	1,927

Long-term debt includes a revolving credit facility and \$350 million in notes with a coupon rate of 5.125% paid semi-annually that were issued in September 2020. The notes mature in seven years and are fully redeemable at maturity. Short-term bank borrowings include the individual operating entities' uncommitted unsecured short-term bank facilities consisting of a large number of uncommitted facilities (ranging from \$1 million to \$391 million). These facilities, which carry interest rates between 1.5% and 18.0% per annum, are extended by multiple local banks to operating units and are typically for a period of 12 months, automatically renewable. The Group's debt covenants are disclosed in the Consolidated financial statements note 23.

Net debt increased by \$102 million from \$208 million at 31 December 2019 to \$310 million at 31 December 2020. The increase in net debt was mainly due to an increase in the Group's short-term bank borrowings and long-term debt. Short-term bank borrowings increased as a result of increased facility utilisation to fund working capital requirements due to the impact of COVID-19 earlier in the year. The increase in long-term debt was mainly attributable to the notes issuance and new leases for the period, partially offset by settlement of the term loan.

Despite the difficult year, the Group maintained a healthy balance sheet with a leverage ratio of 0.86x in 2020. This increase is mainly attributable to a higher net debt and a lower adjusted EBITDA in the current year.

The available undrawn credit facilities of \$1,563 million comprise the remaining balance of \$240 million of the undrawn and uncommitted multi-currency revolving credit facility and \$1,323 million of undrawn unsecured short-term bank facilities extended to our operating entities for working capital purposes.

The table below sets the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows:

US\$ million	31 December 2020					
	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Borrowings ¹	266	2	6	60	350	684
Trade payables	1,040	8	–	–	–	1,048
Lease liabilities	7	28	29	59	94	217
Other liabilities ²	13	22	17	2	161	215
Total	1,326	60	52	121	605	2,164

1 Borrowings exclude the undrawn multi-currency revolving credit facility of \$240 million.

2 Other liabilities (note 26) exclude the elements that do not qualify as financial instruments.

The Group has purchase obligations, for capital and operational expenditure, under various agreements, made in the normal course of business. The purchase obligations are as follows, as at:

US\$ million	31 December 2020	31 December 2019
Purchase obligations	22	13
Total	22	13

NON-GAAP FINANCIAL MEASURES

Non-GAAP measures are not defined by International Financial Reporting Standards (IFRS) and, therefore, may not be directly comparable with other companies' non-GAAP measures, including those in our industry. Non-GAAP measures should be considered in addition to, and are not intended to be a substitute for, or superior to, IFRS measurements.

The exclusion of certain items from non-GAAP performance measures does not imply that these items are necessarily non-recurring. From time to time, we may exclude additional items if we believe doing so would result in a more transparent and comparable disclosure.

The Directors believe that reporting non-GAAP financial measures in addition to IFRS measures provides users with an enhanced understanding of results and related trends and increases the transparency and clarity of the core results of our operations. Non-GAAP measures are used by the Directors and management for performance analysis, planning, reporting and key management performance measures.

Term	Description	Term	Description
Gross cash profit	This is a measure of gross profit after direct operating expenses and before non-cash depreciation and amortisation recognised in cost of sales. Reference to 'cash' in this measure refers to non-cash depreciation and amortisation as opposed to the elimination of working capital movements. Gross cash profit is a key management performance measure.	Gross cash unit margin	Gross cash profit per unit. Unit is defined as 1,000 litres of sales volume. This is a useful measure as it indicates the incremental profit for each additional unit sold.
EBITDA	Earnings before finance expense, finance income, income tax, depreciation and amortisation. This measure provides the Group's operating profitability and results before non-cash charges and is a key management performance measure.	Adjusted EBITDA	EBITDA adjusted for the impact of special items. This is a useful measure as it provides the Group's operating profitability and results, before non-cash charges and is an indicator of the core operations, exclusive of special items.
Adjusted net income	Net income adjusted for the impact of special items.	Adjusted diluted EPS	Diluted EPS adjusted for the impact of special items.
Special items	Income or charges that are not considered to represent the underlying operational performance and, based on their significance in size or nature, are presented separately to provide further understanding of the financial and operational performance.	Adjusted free cash flow	Cash flow from operating activities less net additions to PP&E and intangible assets and excluding the impact of special items. This is a key operational liquidity measure, as it indicates the cash available to pay dividends, repay debt or make further investments in the Group.
Net debt	Total borrowings and lease liabilities less cash and cash equivalents.	Leverage ratio	Net debt, including lease liability, divided by last 12 months adjusted EBITDA.
Adjusted EBIT	Earnings before finance expense, finance income and income taxes adjusted for special items. The Group views adjusted EBIT as a useful measure because it shows the Group's profitability and the ability to generate profits by excluding the impact of tax and the capital structure, as well as excluding income or charges that are not considered to represent the underlying operational performance.	Return on average capital employed (ROACE)	Adjusted EBIT after income tax, using the actual consolidated ETR, divided by the average capital employed. Average capital employed is the average of opening and closing net assets plus borrowings and lease liabilities, less cash and cash equivalents and interest bearing advances. ROACE is a useful measure because it shows the profitability of the Group considering the average amount of capital used.

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

US\$ million	2020	2019
Gross profit	617	675
Add back: depreciation and amortisation in cost of sales	80	68
Gross cash profit	697	743
Volume (million litres)	9,637	10,417
Gross cash unit margin (\$/'000 litres)	72	71

US\$ million	2020	2019
EBT	175	246
Finance expense – net	60	64
EBIT	235	310
Depreciation, amortisation and impairment	125	106
EBITDA	360	416
Adjustments to EBITDA related to special items:		
Hyperinflation ¹	2	–
IPO ² and Engen acquisition related expenses ³	1	11
Write-off of non-current asset ⁴	–	3
Restructuring ⁵	–	3
Management Equity Plan ⁶	(3)	(2)
Adjusted EBITDA	360	431

US\$ million	2020	2019
Net income	90	150
Adjustments to net income related to special items:		
Hyperinflation ¹	2	–
IPO ² and Engen acquisition related expenses ³	1	11
Write-off of non-current asset ⁴	–	3
Restructuring ⁵	–	3
Management Equity Plan ⁶	(3)	(2)
Tax on special items	–	(3)
Adjusted net income	90	162

1 The impacts of accounting for hyperinflation for Vivo Energy Zimbabwe, in accordance with IAS 29, are treated as special items since they are not considered to represent the underlying operational performance of the Group and based on their significance in size and unusual nature are excluded as the local currency depreciation against the US dollar does not align to the published inflation rates during the period.

2 IPO related items in 2020 and 2019 concern the IPO share awards which are accrued for over the vesting period.

3 On 1 March 2019 Vivo Energy Investments B.V., a subsidiary of the Group, acquired 100% of the issued shares in Vivo Energy Overseas Holdings Limited (VEOHL) (formerly known as Engen International Holdings (Mauritius) Limited). The cost of the acquisition and related integration project expenses are treated as special items.

4 The Group recognised a write-off in 2019 related to a government benefits receivable as a result of a retrospective price structure change by the government to finance their outstanding debt. Such retrospective changes of existing price structures are considered non-recurring and are not representative of the core operational business activities and performance and are, therefore, treated as special items.

5 Restructuring costs were incurred in 2019 mainly as a result of the integration of VEOHL into our business model. The impact from these activities do not form part of the core operational business activities and performance and were, therefore, treated as a special item in 2019.

6 The Management Equity Plan vested at IPO in May 2018 and is exercisable on the first anniversary of admission for a period of 24 months. Changes in the fair value of the cash-settled share-based plan do not form part of the core operational business activities and performance and should, therefore, be treated as a special item. The costs of share-based payment schemes introduced after the IPO are not treated as special items.

US\$	2020	2019
Diluted earnings per share	0.06	0.11
Impact of special items	–	0.01
Adjusted diluted earnings per share	0.06	0.12

US\$ million, unless otherwise indicated	2020	2019
EBIT	235	310
Adjustments to EBIT related to special items:		
Hyperinflation ¹	2	–
IPO ² and Engen acquisition related expenses ³	1	11
Write-off of non-current asset ⁴	–	3
Restructuring ⁵	–	3
Management Equity Plan ⁶	(3)	(2)
Adjusted EBIT	235	325
ETR (%) ⁷	49%	39%
Adjusted EBIT after tax	120	198
Average capital employed	1,021	956
ROACE	12%	21%

1 The impacts of accounting for hyperinflation for Vivo Energy Zimbabwe, in accordance with IAS 29, are treated as special items since they are not considered to represent the underlying operational performance of the Group and based on their significance in size and unusual nature are excluded as the local currency depreciation against the US dollar does not align to the published inflation rates during the period.

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4 The Group recognised a write-off in 2019 related to a government benefits receivable as a result of a retrospective price structure change by the government to finance their outstanding debt. Such retrospective changes of existing price structures are considered non-recurring and are not representative of the core operational business activities and performance and are, therefore, treated as special items.

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7 Represents the actual consolidated ETR without the impact of special items on the ETR.

PRINCIPAL RISKS AND UNCERTAINTIES

Our activities are exposed to various risks and uncertainties. These are risks that we assess as relevant and significant to our business at this time, however other risks could emerge in the future.

Overall, our risk management programme focuses on the unpredictability of the global market and seeks to minimise potential adverse effects on financial performance. In addition to the risks and uncertainties presented below, our ability to simultaneously manage the multiple growth generating projects is closely monitored by all relevant control functions.

BRAND & REPUTATIONAL

OUR RISK	RISK IMPACT	OUR MITIGATION
I. PARTNER REPUTATION AND RELATIONSHIPS		
Our business depends on a small number of key contractual brand relationships with our brand partners, Shell and Engen. We also rely on our own business reputation and brand in order to successfully grow our business and develop new relationships with other brand partners. Our ability to grow and maintain our business in our markets and beyond depends on the reputation of our business partners and relationships (including our brand partners).	The termination of any key brand licence could have a material impact on our ability to grow or maintain our business and could have a material cost impact on current operations. The deterioration of our brand name, or of any of our business relationships, including with our existing brand partners, may prevent collaboration opportunities with existing or new partners, thus hindering growth plans of the Group. A negative trend or development in the brand or reputation of one of our key business partners could adversely impact our current business and future growth plans if it were to adversely impact consumer sentiment towards the brands under which we operate.	Our brand licence agreements contain customary termination provisions which provide that they can only be terminated in very specific circumstances rather than for mere convenience. Such termination provisions relate, inter alia, to events of material breach, insolvency etc. We have developed appropriate processes and procedures to monitor and ensure our compliance with the terms of our brand agreements thus preserving both the relationships with our brand partners and the sanctity of our key contractual relationships. The Group's corporate reputation risk is one of the key risk categories subject to an ongoing assessment and mitigation in our risk management approach. It is continuously monitored and reported as part of the risk register and internal audit reporting. We endeavour to only enter into brand relationships with well-established and reputable partners who are less likely to suffer significant loss of reputation or brand value. In all our key contracts and relationships, we ensure our partners adhere to ethical, HSSEQ and other operational standards that meet or exceed our own standards. Stringent Know Your Customer (KYC) procedures are performed prior to entering any contract over the Group's low level threshold (and regardless of any value when the counterparty is related to a defined list of sanctioned countries) and repeated frequently. We promote and develop the communities in which we operate to help build the Vivo Energy brand as the most respected energy business in Africa.
2. CRIMINAL ACTIVITY, FRAUD, BRIBERY AND COMPLIANCE RISK		
The countries where we operate are exposed to high levels of risk relating to criminal activity, fraud, bribery, theft and corruption. There are a number of regulatory requirements applicable to the Group. The related risk of non-compliance with these regulations has increased following the listing and the Engen transaction. The COVID-19 pandemic and new ways of working have created increased opportunities for fraudsters, with an increase in cyber-fraud activity reported.	Violations of anti-bribery, anti-corruption laws, and other regulatory requirements may result in significant criminal or civil sanctions, which could disrupt our business, damage its reputation and result in a material adverse effect on the business, results of operations and financial condition.	We provide compliance training programmes to employees at all levels. Our Code of Conduct and KYC procedures, along with various other policies and safeguards, have been designed to prevent the occurrence of fraud, bribery, theft and corruption within the Group. We have a confidential whistle-blowing helpline for employees, contractors, customers and other third parties to raise ethical concerns or questions. We regularly maintain and update our information technology and control systems within the Group. The Head of Ethics and Compliance and the Head of Forensics are involved in mitigating fraudulent activities in the Group. We strive to ensure our anti-bribery management systems continue to be certified compliant under the ISO 37001 standard. We have further strengthened our controls in 2020 by providing online training and guidance for all staff on how to work from home securely.

PRICING

OUR RISK	RISK IMPACT	OUR MITIGATION
3. OIL PRICE FLUCTUATIONS		
The price of oil and oil products may fluctuate, preventing us from realising our targeted margins, specifically in the deregulated markets in which we operate. The COVID-19 pandemic led to an unprecedented volatility in oil prices throughout 2020.	Higher supply costs in deregulated markets result in higher prices for our products and could reduce our ability to achieve targeted unit margins. Price fluctuations could negatively impact the value of stocks, resulting in stock losses.	Exposure to commodity price risk is mitigated through careful inventory and supply chain management as well as dynamic pricing. We have adapted the management of critical operational and finance activities, increasing the frequency at which the Group monitors its supply commitments, demand and stocks in the current high volatility environment.
4. CURRENCY EXCHANGE RISK		
We are exposed to foreign exchange risk, currency exchange controls, currency shortage and other currency-related risks. Our risk includes potential hyperinflation in several countries, as we are currently experiencing in Zimbabwe. Emerging market currencies have been hit hard by the global market sell-off on the back of the COVID-19 pandemic.	Depreciation of foreign currency exchange rates could result in severe financial losses.	Our treasury policy requires each country to manage its foreign exchange risks. The Central Treasury team approves all hedging plans before they are actioned to ensure they are aligned with our strategic focus. We mitigate currency exchange risks through margin and pricing strategies. Since the start of the pandemic, we have increased the frequency at which the Group monitors its forex exposures.

HEALTH, SAFETY, SECURITY & ENVIRONMENT

OUR RISK	RISK IMPACT	OUR MITIGATION
5. HEALTH AND SAFETY		
We are exposed to accidents or incidents relating to health, safety and the environment and from such accidents relating to employees. We are further subject to HSSEQ laws and regulations and industry standards related to each of the countries in which we operate. This is our principal risk most impacted by COVID-19. Main risk relates to staff or business partners contracting the virus, entailing threats to life and business continuity.	We may incur potential liabilities arising from HSSEQ accidents/incidents. Brand reputation can be severely impacted, along with employee confidence. Regulators and authorities may impose fines, disrupt our operations and disallow permits for future ventures. The health and safety of our staff and business partners are at risk due to COVID-19. Unavailability of staff, contractors or retailers could also lead to closure of key sites.	We ensure all safety measures for our retail service stations, storage sites, and employees are maintained at international standards. We invest significantly in training and technology to improve road transport safety. The highest emphasis is placed on process safety, and minimising security risks to our people, our facilities and the communities in which we operate. We require all our contractors and partners to manage their HSSEQ policies and practices in line with ours. On an ongoing basis, safety and security drills, campaigns and programmes are conducted to ensure widespread knowledge of the Group's HSSEQ principles and procedures. In addition to our ongoing, daily attention to HSSEQ, we hold an annual Safety Day, which creates an opportunity for all employees to refocus on the importance of HSSEQ of our Group. The day is used to reinforce safety measures as well as raise awareness of key issues. Our BCCP has been reviewed (ensuring presence of critical staff, in particular those involved in site security) and COVID-19 protocols developed and implemented to cope with the pandemic specific risks. This includes international travel restrictions, adherence to World Health Organization guidelines and national legislation, special PPE and donning/doffing procedures, revised site access and visit controls, office and asset recovery and reintegration plan and engagement of key stakeholders including hauliers and contractors. Finally, recommendation was made for all non-essential physical work to be done remotely and business meetings to be virtual.

OUR RISK	RISK IMPACT	OUR MITIGATION
6. ECONOMIC AND GOVERNMENTAL INSTABILITY		
Several countries and regions in which we operate have experienced economic and political instability that could adversely affect the economy of our markets.	An economic slowdown which adversely affects, for example, disposable income, vehicle distance driven, or infrastructure development, in one or more of these regions could negatively impact our sales and have a material adverse effect on the business, financial conditions and operational results. The pandemic and its social and economic consequences could negatively impact the stability of some of the countries where we do operate, intensifying social tensions.	We closely monitor evolving issues in markets. We ensure appropriate responses and business continuity plans are developed to minimise disruptions. All local regulatory environments and changes are closely monitored.

OPERATIONAL

OUR RISK	RISK IMPACT	OUR MITIGATION
7. PRODUCT AVAILABILITY AND SUPPLY		
We are dependent upon the supply of fuels, lubricants, and additives from various suppliers. When raw materials are needed urgently, asymmetric negotiations occur. The bargaining power shifts to the supplier who in turn can charge a higher price. Furthermore, we are restricted by limited storage capacity within some country facilities. In the short-term, the pandemic led to an over-supply of crude oil leading to crude oil prices declining to historically low levels. The long-term impact on oil producers remains unpredictable and there may be future impacts on production and supply capacity.	The increased procurement costs could lower our margins. Limited supply of products and storage facilities may result in stock outs. This could further result in breach of contract and disruptions to our operations, leaving us susceptible to fines or penalties.	We ensure optimal inventory management through close monitoring of inventory days, sales and other factors which may require additional inventory levels. We monitor our suppliers' political and social environments, and realign our purchasing strategies as necessary. We have increased storage capacity at strategic locations within Africa, following the Engen acquisition. Since the outbreak of the pandemic, we have adapted the management and increased the frequency of monitoring of our supply commitments, demand and stocks.
8. BUSINESS CONCENTRATION RISK		
A large part of the Group's operations (and margins) are derived from Morocco when compared to other countries.	Any unfavourable changes in market dynamics, such as the re-imposition of pricing regulations for fuel, or downturns in the performance of the operations overall, may lead to a decline in the Group's performance.	Overall diversification is the key strategy and control measure. The completion of the Engen transaction has increased the geographic diversification and reduced the relative weighting of the Shell- branded operating units, including Morocco, in the Group's operations and volumes.
9. INFORMATION TECHNOLOGY RISK		
Our organisation is currently migrating to a new ERP, a critical project that will redesign some of our operations, functions and controls. During the COVID-19 pandemic, the Group experienced an increase in phishing attacks and cyber-fraud activity reported.	Inadequate processes and segregation of duties may impact the quality of the operations and controls, making fraud detection difficult. Data quality and management issues may have financial, operational or compliance consequences leading to increased (financial and operating) costs and missed opportunities. Cyber-crime can lead to significant and direct financial losses, costly and time- consuming business disruption and impact reputation.	Significant achievements have been completed in the 'enhancements and fixes' programme designed to ensure the Group can take full advantage of its new ERP now operational in the 15 Shell- branded countries. Deployment in the Engen- branded countries (most of them already operating with a solution from the same vendor) has started and is expected to be completed during 2021 allowing a full integration of all operating units into the Group's platform. The Group has developed its control activities to strengthen its cyber-defence capacity and efficiency to identify and block attacks. The last penetration test conducted in 2020 by an external firm confirmed that our security controls are above industry average.

STRATEGIC

OUR RISK	RISK IMPACT	OUR MITIGATION
10. ACQUISITION INTEGRATION		
We may be unable to identify or accurately evaluate suitable acquisition candidates or to complete or integrate past or prospective acquisitions successfully and/or in a timely manner, which could materially adversely affect growth.	We may incur write-downs, impairment charges or unforeseen liabilities, placing strain on financial resources. Occurrences of indebtedness could result in increased obligations and include covenants or other restrictions that limit operational flexibility.	All acquisition decisions are intensively reviewed at several stages with ultimate approval by the Board. This ensures risks at all levels are being assessed and mitigated throughout the process. We ensure there are detailed integration plans with realistic timelines as well as designated teams to execute the plans. Tailored on-boarding and training is delivered post-acquisition to ensure a smooth and efficient transition. The Engen-branded operating units acquired in 2019 operate in line with the Group procedures and policies. The integration programme to align all key functions and activities to the Group standards has proved to be efficient. Operations are measured through key performance indicators.
11. CLIMATE CHANGE		
The increasing global actions to mitigate climate change and its impacts may lead to changes in our regulatory environments, customer behaviours and access to capital in the future which could materially impact the Group's future prospects.	Shift in customer behaviours, expectations and the development and adoption of affordable clean technology may impact future fuel demand. Non-adherence to evolving regulation, brand partner expectations, technology adoption and customer needs exposes the Group to compliance and financial risks. Brand reputation can be severely impacted, along with employee confidence. Financial markets may focus capital away from carbon intensive industries, increasing the cost of capital for the Group.	We have a range of initiatives underway in order to limit our environmental impact through efficiency measures, cleaner fuels and alternative product offerings. We are developing an assessment of the potential impacts of climate change on future fuel demand, access to finance, regulation and the impact of extreme weather events into our business model, strategy and financial planning process. We have enhanced the Governance oversight of ESG matters, including climate change, and the Nominations and Governance Committee now assists the Board with oversight of the Group's climate change and ESG plans and strategy including its readiness to support the transition to a lower carbon future in our markets. The Group intends to enhance its future reporting regarding climate change in order to comply with the Task Force for Climate Related Financial Disclosures in line with the UK Government's expectations.
12. EPIDEMIC		
We face the risk of prolonged impacts from the COVID-19 pandemic, or experience new and recurrent epidemics, worldwide, that may have dramatic effects on humans, economies and security.	The COVID-19 pandemic led to a dramatic drop in demand for oil and gas products due to the level of mobility restrictions imposed by governments. These restrictions may be replicated in the event of future pandemics. The reduction in demand and subsequent change in product pricing could have a material impact on the entire fuel supply chain, from suppliers and distributors to dealers operating sites, as well as on the stability of the impacted countries. Future pandemics may also lead to different changes in government actions and consumer behaviour that require the Group to rapidly adapt and manage its key operational and financial variables. Africa has experienced several epidemic crises over the past decades, including Ebola in 2013-2016, with authorities taking strong measures such as lockdowns and curfews to limit the spread of contaminations which in turn severely impacted the economies.	We have adapted the management of the critical operational and finance activities, increasing the frequency at which the Group monitors its credit, supply commitments, demand, stocks, payables and foreign exchange exposures in a high- volatility environment. Despite the sudden and unexpected outbreak of the pandemic, the Group Business Continuity Plans were immediately activated to keep employees, retailers and contractors safe and ensure the security of our critical sites and operations. The Group has been able to maintain supply to its retail sites and commercial customers. In parallel, the Group provided support to communities, made a series of donations and brought logistic assistance to public COVID-19 operational management facilities in several countries.

FINANCIAL

OUR RISK	RISK IMPACT	OUR MITIGATION
13. CREDIT MANAGEMENT		
We face risks arising from credit exposure to commercial and retail customers as well as governments, including outstanding receivables and committed transactions. The COVID-19 pandemic impacted the solvency and liquidity of most of our customers, with a heightened effect on the Aviation sector.	This may result in financial loss as a result of bad debts and lost revenue. Exceeding payment terms will result in lower working capital, potentially creating liquidity challenges for the business.	We maintain country-specific Credit Policy Manuals which ensure a harmonised, cost effective and value- adding credit process in all classes of business. Continuous monitoring of outstanding credit balances ensures our overall risk remains within our tolerance. We impose strict guidelines and procedures should customers exceed the credit limits set. Credit limits are set on an individual basis following assessment of the customer through KYC procedures. We use debtor factorisation when considered cost effective. We increased the frequency of our credit exposures monitoring and took rapid and coordinated action to stabilise our business and support our teams from the start of the COVID-19 pandemic. We saw elevated levels of overdue accounts early in the pandemic but worked successfully with customers to support them with their payments. At year- end, Credit KPIs are within target.

HUMAN RESOURCES AND TALENT MANAGEMENT

OUR RISK	RISK IMPACT	OUR MITIGATION
14. HUMAN RESOURCES AND TALENT MANAGEMENT		
Our ability to attract, train and grow people as well as retain talent is key to the continuing success of the Group. During the pandemic, our human resources and talent management risk has been impacted by governmental limitations on movements, delaying some international assignments and relocations. Some local measures may also affect our ability to move talent between countries in the future.	Increased costs caused by staff inefficiency. Interruptions to operations and delay in new projects. Key people leaving the Group, with some joining competitors. Disputes, strikes and sub- standard performance. Loss of staff enjoyment, motivation, connectedness and attachment to the company.	We benchmark compensation packages and employee policies against market practice. We invest in employee training and career development. We use on-boarding workshops to ensure that new employees are familiar with our business, our culture and their roles when joining the Group. We maintain constructive dialogue with unions and workforce representatives. We maintain detailed succession plans and talent management programmes. The Group has deployed a new communication approach and ways of working to keep connected with all staff throughout the pandemic.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

US\$ million	Notes	2020	2019
Revenues	5	6,918	8,302
Cost of sales		(6,301)	(7,627)
Gross profit	5	617	675
Selling and marketing cost		(226)	(224)
General and administrative cost	7	(176)	(165)
Share of profit of joint ventures and associates	13	16	22
Other income/(expense)	8	4	2
Earnings before interest and tax (EBIT)	6	235	310
Finance income		12	7
Finance expense		(72)	(71)
Finance expense – net	9	(60)	(64)
Earnings before tax (EBT)		175	246
Income taxes	10	(85)	(96)
Net income	6	90	150
Net income attributable to:			
Equity holders of Vivo Energy plc		80	136
Non-controlling interest (NCI)		10	14
		90	150
Other comprehensive income (OCI)			
Items that may be reclassified to profit or loss			
Currency translation differences		(23)	(42)
Net investment hedge (loss)/gain		(17)	3
Items that will not be reclassified to profit or loss			
Re-measurement of retirement benefits		(5)	–
Income tax relating to retirement benefits		1	–
Change in fair value of financial instruments through OCI	14	1	1
Other comprehensive income, net of tax		(43)	(38)
Total comprehensive income		47	112
Total comprehensive income attributable to:			
Equity holders of Vivo Energy plc		41	113
Non-controlling interest (NCI)		6	(1)
		47	112
Earnings per share (US\$)	21		
Basic		0.06	0.11
Diluted		0.06	0.11

The notes are an integral part of these consolidated financial statements.

NON-GAAP MEASURES

US\$ million, unless otherwise indicated	2020	2019
EBITDA	360	416
Adjusted EBITDA	360	431
Adjusted net income	90	162
Adjusted diluted EPS (US\$)	0.06	0.12

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

US\$ million	Notes	31 December 2020	31 December 2019
Assets			
Non-current assets			
Property, plant and equipment	11	889	823
Right-of-use assets	27	201	176
Intangible assets	12	222	226
Investments in joint ventures and associates	13	231	227
Deferred income taxes	10	46	34
Financial assets at fair value through other comprehensive income	14	12	9
Other assets	16	117	110
		1,718	1,605
Current assets			
Inventories	17	480	517
Trade receivables	18	344	451
Other assets	16	200	257
Income tax receivables		11	9
Cash and cash equivalents	19	515	517
		1,550	1,751
Total assets		3,268	3,356
Equity			
Share capital	20	633	633
Share premium		4	4
Retained earnings		252	199
Other reserves		(122)	(85)
Attributable to equity holders of Vivo Energy plc		767	751
Non-controlling interest		45	53
Total equity		812	804
Liabilities			
Non-current liabilities			
Lease liabilities	27	119	104
Borrowings	23	412	294
Provisions	24, 25	104	102
Deferred income taxes	10	72	66
Other liabilities	26	165	160
		872	726
Current liabilities			
Lease liabilities	27	24	21
Trade payables		1,048	1,257
Borrowings	23	270	306
Provisions	24, 25	16	14
Other financial liabilities	15	9	3
Other liabilities	26	171	178
Income tax payables		46	47
		1,584	1,826
Total liabilities		2,456	2,552
Total equity and liabilities		3,268	3,356

The notes are an integral part of these consolidated financial statements.

The consolidated financial statements were approved by the Board of Directors and authorised for issue on 2 March 2021 and were signed on its behalf by:

CHRISTIAN CHAMMAS
CHIEF EXECUTIVE OFFICER

JOHAN DEPRAETERE
CHIEF FINANCIAL OFFICER

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to equity holders of Vivo Energy plc												
US\$ million	Notes	Other reserves								Total	NCI	Total equity
		Share capital	Share premium	Retained earnings	Reserves ¹	Retirement benefits	Currency translation difference	Fair value reserves	Equity-settled incentive schemes ²			
Balance at 1 January 2020		633	4	199	(54)	2	(43)	2	8	751	53	804
Net income		–	–	80	–	–	–	–	–	80	10	90
Other comprehensive income		–	–	–	–	(4)	(36)	1	–	(39)	(4)	(43)
Total comprehensive income		–	–	80	–	(4)	(36)	1	–	41	6	47
Share-based expense	30	–	–	–	–	–	–	–	3	3	–	3
Share issuance related to share awards	30	–	–	1	–	–	–	–	(1)	–	–	–
Transactions with NCI		–	–	–	–	–	–	–	–	–	(4)	(4)
Net impact of IAS 29 ³		–	–	6	–	–	–	–	–	6	–	6
Dividends paid/declared ⁴	22	–	–	(34)	–	–	–	–	–	(34)	(10)	(44)
Balance at 31 December 2020		633	4	252	(54)	(2)	(79)	3	10	767	45	812

Attributable to equity holders of Vivo Energy plc												
US\$ million	Notes	Other reserves								Total	NCI	Total equity
		Share capital	Share premium	Retained earnings	Reserves ¹	Retirement benefits	Currency translation difference	Fair value reserves	Equity-settled incentive schemes ²			
Balance at 1 January 2019		601	3	72	(136)	2	(19)	1	9	533	48	581
Net income		–	–	136	–	–	–	–	–	136	14	150
Other comprehensive income		–	–	–	–	–	(24)	1	–	(23)	(15)	(38)
Total comprehensive income		–	–	136	–	–	(24)	1	–	113	(1)	112
Share-based expense	30	–	–	–	–	–	–	–	1	1	–	1
Share issuance related to acquisition ¹	31	–	–	–	82	–	–	–	–	113	12	125
Share issuance related to share awards	30	1	1	–	–	–	–	–	(2)	–	–	–
Transactions with NCI		–	–	2	–	–	–	–	–	2	4	6
Net impact of IAS 29 ³		–	–	19	–	–	–	–	–	19	–	19
Dividends paid ⁴	22	–	–	(30)	–	–	–	–	–	(30)	(10)	(40)
Balance at 31 December 2019		633	4	199	(54)	2	(43)	2	8	751	53	804

The notes are an integral part of these consolidated financial statements.

1 Included in reserves is a merger reserve (\$82m) relating to the premium on shares issued as part of the consideration of the acquisition of Vivo Energy Overseas Holdings Limited (VEOHL), formerly known as Engen International Holdings (Mauritius) Limited in March 2019.

2 Equity-settled incentive schemes include the Long-Term Incentive Plan ('LTIP') and the IPO Share Award Plan.

3 The net impact on retained earnings as a result of the index-based adjustments in Zimbabwe under IAS 29 'Financial Reporting in Hyperinflationary Economies'.

4 The dividends paid to the equity holders of Vivo Energy plc were paid out of distributable reserves.

CONSOLIDATED STATEMENT OF CASH FLOWS

US\$ million	Notes	2020	2019
Operating activities			
Net income		90	150
Adjustment for:			
Income taxes	10	85	96
Amortisation, depreciation and impairment	11, 12, 27	125	106
Net gain on disposals of PP&E and intangible assets	8	(4)	–
Share of profit of joint ventures and associates	13	(16)	(22)
Dividends received from joint ventures and associates	13	24	22
Current income tax paid		(89)	(83)
Net change in operating assets and liabilities and other adjustments	28	48	176
Cash flows from operating activities		263	445
Investing activities			
Acquisition of businesses, net of cash acquired		(9)	(16)
Purchases of PP&E and intangible assets	11, 12	(168)	(149)
Proceeds from disposals of PP&E and intangible assets	8, 11, 12	5	2
Other investing activities		–	3
Cash flows from investing activities		(172)	(160)
Financing activities			
Proceeds from long-term debt	23	517	62
Repayment of long-term debt	23	(492)	(82)
Net (repayments)/proceeds (of)/from bank and other borrowings	23	26	1
Repayment of lease liabilities	27	(31)	(27)
Dividends paid		(43)	(40)
Interest paid		(62)	(51)
Cash flows from financing activities		(85)	(137)
Effect of exchange rate changes on cash and cash equivalents		(8)	(24)
Net increase/(decrease) in cash and cash equivalents		(2)	124
Cash and cash equivalents at beginning of the year		517	393
Cash and cash equivalents at end of the year	19	515	517

The notes are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Vivo Energy plc (the 'Company') a public limited company, was incorporated on 12 March 2018 in the United Kingdom under the Companies Act 2006 (Registration number 11250655). The Company is listed on the London Stock Exchange Main Market for listed securities and the Main Board of the securities exchange operated by the Johannesburg Stock Exchange. References to 'Vivo Energy' or the 'Group' mean the Company and its subsidiaries and subsidiary undertakings. These consolidated financial statements as at and for the period ended 31 December 2020 comprise the Company, its subsidiaries and subsidiary undertakings, joint ventures and associates.

On 1 March 2019, Vivo Energy Investments B.V. acquired a 100% shareholding in Vivo Energy Overseas Holding Limited (VEOHL) formerly known as Engen International Holdings (Mauritius) Limited. Upon completion of the transaction, Vivo Energy extended operations in eight new markets and added over 200 Engen-branded service stations to the existing network.

Vivo Energy distributes and sells fuel and lubricants to retail and commercial consumers in Africa and trades under brands owned by the Shell and Engen group of companies and, for aviation fuels only, under the Vitol Aviation brand. Furthermore, Vivo Energy generates revenue from Non-fuel retail activities including convenience retail and quick service restaurants by leveraging on its retail network.

2. BASIS OF PREPARATION AND GOING CONCERN

The financial information does not constitute the Company's statutory accounts for the years ended 31 December 2020 or 31 December 2019, but is derived from those accounts. Statutory accounts for 2020 will be delivered to the Registrar of Companies in due course. The auditor has reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their reports and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006. The audit of the statutory accounts for the year ended 31 December 2020 is now complete. Whilst the financial information included in this announcement has been computed in accordance with International Financial Reporting Standards ("IFRS") this announcement does not itself contain sufficient information to comply with IFRS.

This announcement was approved by the Board of Directors on 2 March 2021.

The Group has considered the impact of COVID-19 and the current economic environment in relation to the going concern basis of preparation for the consolidated financial statements. For the purposes of the going concern assessment the Directors have considered a period to 31 December 2022 using base case forecasts for this period taken from the 2021 five-year strategic plan. The Group has prepared the five-year strategic plan taking into consideration the impact of the current year and its effect on future performance. The Group has prepared a range of stress test scenarios including a severe but plausible downside sensitivity analysis. The plausible downside sensitivity assumes the impact and restrictions of COVID-19 experienced in 2020 continue to impact the 2021 financial performance with lower volume growth and gross cash unit margins in comparison to the base case scenario for 2021. During 2022, the Group does not expect to be severely impacted from COVID-19 and has therefore forecast a recovery in the financial position.

The Group has considered the impact of restrictions on its operations with Retail, Marine and Aviation most affected. For each of our segments we have sensitised volumes, gross cash unit margins, profits and cash flows, taking into account a similar but less extreme impact of COVID-19 for the next two years, than experienced in 2020. The impact over the next two years is not considered to be as severe as initially experienced in 2020 reflecting the reduced impact of second wave restrictions during the first few weeks of 2021. In our sensitivities, available mitigating measures, such as reducing uncommitted growth capex, dividend deferrals and other discretionary spend, do not prevent the Group from operating. The Group does not expect any significant structural changes to the business will be necessary under any of the scenarios considered. Based on management's assessment for the next two years, sufficient available liquidity exists and the Group has adequate resources to meet its operational obligations.

As of 31 December 2020, the Company has available short-term capital resources of \$2,078m, which include \$1,323m of uncommitted facilities. The Group is not reliant on these uncommitted facilities. Based on the cash flow projections for the next two years, management has confirmed that there is sufficient cash and committed facilities available. Notwithstanding this analysis, the Group has continued to have access to and utilise the uncommitted short-term funding lines throughout the year, and where necessary renew them in the normal course of business. Therefore, the Directors expect these uncommitted facilities to continue to be available to the Group for the foreseeable future. Under both the base case and severe but plausible downside scenarios, the financial covenants, relating to the Group's RCF, of minimum interest cover of 4x and maximum debt cover of 3x are forecast to be met over the next two years. At the time of approving the consolidated financial statements, the Directors maintain a reasonable expectation that the Company and the Group will have adequate resources to continue in operational existence for the foreseeable future and have therefore prepared the financial statements on a going concern basis.

In preparing the consolidated financial statements the Group has considered the impact that climate change may have on key accounting judgements and estimates including asset useful economic lives and asset valuations and impairments. At the year-end, whilst a number of countries in which the Group operates are signatories to the Paris Climate Agreement, none of the countries have introduced legislation or detailed policy initiatives associated with transitioning away from carbon based transportation fuels. Whilst the Group continues to introduce initiatives designed to reduce the carbon emissions from its direct operations and develop alternative product offerings, the Group considers that the transition towards a low carbon economy in its primary markets will be over a longer time period than will be seen in the UK and the European Union. As a result, the Group considers that the market for oil products across Africa will continue to grow within its medium-

term planning horizons and this assumption is embedded within the Group's five-year strategic business plan which in turn supports a number of key forward-looking accounting judgements and estimates.

The Group's principal accounting policies are unchanged from those set out in the 2019 Annual Report and Accounts, which is available on the Company's website.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial instruments by category

The table below sets out the Group's classification of each class of financial assets and financial liabilities and their fair values for the current year and the comparative year:

US\$ million	31 December 2020			
	Measured at amortised cost	Measured at FVTOCI	Total carrying value	Fair value
Financial assets				
Trade receivables ¹	344	–	344	344
Cash and cash equivalents	515	–	515	515
Financial assets at FVTOCI	–	12	12	12
Other assets ²	127	–	127	127
Total	986	12	998	998

1 Trade receivables include credit secured receivables of \$180m.

2 Other assets (note 16) exclude the following elements that do not qualify as financial instruments: prepayments, VAT and duties receivable and other government benefits receivable.

US\$ million	31 December 2020			
	Measured at amortised cost	Measured at FVTPL	Total carrying value	Fair value
Financial liabilities				
Trade payables	1,048	–	1,048	1,048
Borrowings	682	–	682	707
Other liabilities ¹	215	–	215	215
Lease liabilities	143	–	143	143
Other financial liabilities	–	9	9	9
Total	2,088	9	2,097	2,122

1 Other liabilities (note 26) exclude the elements that do not qualify as financial instruments.

US\$ million	31 December 2019			
	Measured at amortised cost	Measured at FVTOCI	Total carrying value	Fair value
Financial assets				
Trade receivables ¹	451	–	451	451
Cash and cash equivalents	517	–	517	517
Financial assets at FVTOCI	–	9	9	9
Other assets ²	115	–	115	115
Total	1,083	9	1,092	1,092

1 Trade receivables include credit secured receivables of \$206m.

2 Other assets (note 16) exclude the following elements that do not qualify as financial instruments: prepayments, VAT and duties receivable and other government benefits receivable.

US\$ million	31 December 2019			
	Measured at amortised cost	Measured at FVTPL	Total carrying value	Fair value
Financial liabilities				
Trade payables	1,257	–	1,257	1,257
Borrowings	600	–	600	600
Other liabilities ¹	225	–	225	225
Lease liabilities	125	–	125	125
Other financial liabilities	–	3	3	3
Total	2,207	3	2,210	2,210

¹ Other liabilities (note 26) exclude the elements that do not qualify as financial instruments.

3.2 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, price risk, cash flow interest rate risk and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Market risk

Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

Management has set up a policy to require Group companies to manage their foreign exchange risk. Group treasury is required to approve all hedging plans before execution. The Group has a number of natural hedges in place, where the timing of foreign currency payments is matched with the receipts in a similar currency. Forward contracts are used to manage the foreign exchange risk arising from future obligations.

Foreign currency exposure on the consolidated net monetary position is \$156m (2019: \$378m). Other monetary balances in other currencies are not material. If the non-US dollar held currency had weakened/strengthened by 10% against the US dollar with all other variables held constant, pre-tax profit for the year would have been \$16m (2019: \$38m) higher/lower, mainly as a result of foreign exchange gains/losses on translation of non-US dollar denominated receivables and payables.

Price risk

The Group generally seeks to manage its exposure to commodity price risk through careful inventory management and as at 31 December 2020 the Group was not significantly exposed to commodity price risk. In regulated markets, the Group has no price exposure as long as the sale of the inventory is matching the timing of the price structures updates, however in unregulated markets, such as Marine and Aviation, the Group may be exposed to price changes in the short-term if inventory is not carefully managed.

In Botswana, Guinea, Madagascar, Senegal and Morocco (for Butane only) the Group is financially compensated by the local government for the effect of these price restrictions. For further information see note 16. For some countries (such as Senegal) the transport costs are subsidised.

The Group does not hold equity securities for trading and is, therefore, not exposed to price risk.

Cash flow interest rate risk and fair value interest rate risk

The Group's interest rate risk arises from borrowings. It is Group policy to have short-term loan facilities at floating rate and medium to long-term facilities at floating or fixed rate. The Group has short-term overdraft facilities which carry a fixed interest rate exposing the Group to fair value interest rate risk. However, given that the rate is fixed for a short period of time, and that these facilities terms are subject to renegotiation, should interest rate move, the exposure is minimal. Long-term borrowings consist of notes at fixed interest rate, which exposes the Group to fair value interest rate risk (refer note 23).

Credit risk

Credit risk is managed on a Group basis, except for credit risk relating to accounts receivable balances. Each local entity is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Credit risk arises from cash and cash equivalents, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. At reporting date, the Group noted no significant concentrations of credit risk to individual customers or counterparties. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables.

All external customers must have their identity checked and credit worthiness assessed and approved prior to the signing of a binding agreement or contract. Credit worthiness is assessed for all customers based on commercial data, but also considers

financial data when a credit limit exceeds \$15,000 for Retail and \$100,000 for Commercial. The utilisation of credit limits is regularly monitored and checks performed on outstanding debt at regular intervals. Where the environment allows, security (bank guarantees) will be taken to secure the Group's exposure. For banks and financial institutions, management of the operating entity are responsible for making the short-term placements with the banks after approval from Group Treasury.

The investment policy is based in order of importance on security, liquidity and yield. Management will assess the counterparty risks of the third-party based on financial strength, quality of management, ownership structure, regulatory environment and overall diversification. Group Treasury is required to approve all investment decisions to ensure they are made in line with the Group's credit policies. The Group has provided secured loans to individual employees (note 16).

In Morocco customer receivables to the amount of \$16m (2019: \$19m) were assigned to a factoring subsidiary of a commercial bank, the assigned amount was received in cash and the corresponding receivable was derecognised. For the late payment risk, the Group capped the exposure to six months' maximum of interest. This resulted in a continuous involvement accounting treatment where a substantial portion of the risk has been transferred. A continuous involvement liability of \$0.3m (2019: \$0.4m) was recognised. In addition, other government benefits receivable to the amount of \$36m (2019: \$9m) were assigned to a local commercial bank, the assigned amount was received in cash and the corresponding receivable was derecognised. For the late payment risk, the Group capped the exposure to 5.5 months' maximum of interest. A continuous involvement liability of \$0.6m was recognised. The Group considers that the held to collect business model remains appropriate for these receivables and hence continues measuring them at amortised cost. The Group has arrived at this conclusion because the factoring of the Group's B2B receivables before maturing is done on an infrequent basis. Furthermore, the Group continues to guarantee the late payment risk up to 180 days. The business model is, therefore, not impacted because the risks and rewards as existing prior to the factoring remain after the factoring.

The Group's cash and cash equivalent balances are primarily held at banks with strong credit ratings where the exposure to credit risk is considered to be limited. The extent to which the Group's cash and cash equivalent balances, are held at banks, where there is considered to be an exposure to credit risk is set out below:

	31 December 2020		31 December 2019	
	Credit rating	US\$ million	Credit rating	US\$ million
Banks				
Bank 1	A+	74	AAAmmf	56
Bank 2	Ba1	67	A+	49
Bank 3	Ba2	45	Ba1-	42

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the cyclical nature of the underlying businesses, the Directors aim to maintain flexibility in funding by keeping committed credit lines available.

Management monitors rolling forecasts of the Group's liquidity reserve on the basis of expected cash flow. This is generally carried out at local level in the operating companies of the Group in accordance with practice and limits set by Group policies. Where short-term liquidity is needed, the operating entities organise short-term facilities to cover the deficit which have to be authorised by Group Treasury.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

US\$ million	31 December 2020					Total
	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	
Borrowings ¹	266	2	6	60	350	684
Trade payables	1,040	8	–	–	–	1,048
Lease liabilities	7	28	29	59	94	217
Other liabilities ²	13	22	17	2	161	215
Total	1,326	60	52	121	605	2,164

1 Borrowings exclude, as of 31 December 2020 the undrawn multi-currency revolving credit facility of \$240m (note 23).

2 Other liabilities (note 26) exclude the elements that do not qualify as financial instruments.

31 December 2019						
US\$ million	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Borrowings ¹	225	81	85	211	–	602
Trade payables	1,161	89	7	–	–	1,257
Lease liabilities	6	17	20	44	90	177
Other liabilities ²	49	24	18	4	130	225
Total	1,441	211	130	259	220	2,261

1 Borrowings exclude, as of 31 December 2019, the undrawn multi-currency revolving credit facility of \$236m (note 23).

2 Other liabilities (note 26) exclude the elements that do not qualify as financial instruments.

Net investment hedge

Foreign currency exposure arises from the Group's net investment in its several subsidiaries that have the Cape Verde Escudo (CVE) and the CFA Franc BCEAO (XOF) as functional currencies that are 100% pegged to the Euro (EUR). Therefore, the risk arises from fluctuation in spot exchange rates between these currencies (or the EUR) and the US dollar, which causes the amount of the net investment to vary.

The hedged risk in the net investment hedge is the risk of a variation the CVE and the XOF currencies (or the EUR) against the US dollar which will result in a variation in the carrying amount of the Group's net investment in these foreign operations.

On 24 September 2020, the Group issued \$350m notes (refer note 23). In order to eliminate foreign exchange risk associated with the translation of the EUR pegged part of its net investment into its functional currency, the Group entered into a fixed-fixed cross-currency swap to exchange a portion of the US dollar denominated bonds to EUR. The cross-currency swap is applied for \$150m of the bonds, maturing in three years.

In 2019 part of the Group's net investment in those subsidiaries was hedged by a EUR denominated secured bank loan with carrying amount \$150m, which mitigated the foreign currency risk arising from the revaluation of the subsidiaries' net assets. The loan was designated as a hedging instrument for the changes in the value of the net investment that is attributable to changes in the spot rate.

To assess hedge effectiveness, the Group determines the economic relationship between the hedging instrument and the hedged item by comparing changes in the carrying amount of the swap that is attributable to a change in the spot rate with changes in the investment in the foreign operation due to movements in the spot rate (the offset method).

The amounts related to items designated as hedging instruments in the statement of financial position and the statement of comprehensive income were as follows:

31 December 2020				
US\$ million	Nominal amount	Carrying amount		Line item in the statement of financial position where the hedging instrument is included
		Assets	Liabilities	
Cross currency swap	150	–	150	Borrowings
US\$ million	Change in value used for calculating hedge for 2020	Change in value of hedging instrument recognised in OCI	Hedge ineffectiveness recognised in profit or loss	Line item in profit or loss that includes hedge ineffectiveness
Cross currency swap	(7)	(7)	–	Not applicable

				31 December 2019
US\$ million	Nominal amount	Carrying amount		Line item in the statement of financial position where the hedging instrument is included
		Assets	Liabilities	
Foreign exchange denominated debt	239	–	150	Borrowings
	Change in value used for calculating hedge for 2019	Change in value of hedging instrument recognised in OCI	Hedge ineffectiveness recognised in profit or loss	Line item in profit or loss that includes hedge ineffectiveness
Foreign exchange denominated debt	(3)	(3)	–	Not applicable

3.3 Capital management

The Group's capital management objective is to maintain a commercially sound consolidated statements of financial position with the aim of maximising the net cash return to the shareholders, while maintaining a level of capitalisation that is commercially defensible and which leads to an effective and optimised working capital structure.

Liquidity and capital resources are monitored through a review of the Group's net debt position, leverage ratio and available short-term capital resources. Net debt is calculated as total borrowings and lease liabilities (including current and non-current borrowings and lease liabilities as shown in the consolidated statements of financial position) less cash and cash equivalents. The leverage ratio is calculated as net debt divided by adjusted EBITDA. For details related to key covenants refer to note 23.

US\$ million	31 December 2020	31 December 2019
Long-term debt (note 23)	408	371
Lease liabilities (note 27)	143	125
Total debt excluding short-term bank borrowings	551	496
Short-term bank borrowings ¹	274	229
Less: cash and cash equivalents (note 19)	(515)	(517)
Net debt	310	208

¹ Short-term bank borrowings exclude the current portion of long-term debt.

US\$ million	31 December 2020	31 December 2019
Net debt	310	208
Adjusted EBITDA ¹	360	431
Leverage ratio	0.86x	0.48x

¹ For the description and reconciliation of non-GAAP measures refer to Non-GAAP financial measures.

US\$ million	31 December 2020	31 December 2019
Cash and cash equivalents	515	517
Available undrawn credit facilities	1,563	1,410
Available short-term capital resources	2,078	1,927

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions in order to ensure sound capital management.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

4.1 Accounting judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimates, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Accounting for leases under IFRS 16

In establishing the lease term for each lease contract that has an option to extend, judgement has been applied to determine the extension period. When it is concluded that it is reasonably certain that the extension option will be utilised, the lease term is extended to include the reasonably certain period of five years. The lease agreements have the option to extend the leases and the option to terminate the leases. The extension options in different contracts vary between five years to unlimited period. The Group uses significant assumptions that all of the existing leases that are expiring within the following five years, and have an extension option, will be extended for an additional five-year period, when determining the lease term.

In addition, IFRS 16 requires lease payments to be discounted using the interest rate implicit in the lease. In case the interest rate implicit in the lease cannot be readily determined, the incremental borrowing rate should be used. That is the rate of interest that a lessee would have to pay to borrow over a similar value to the right-of-use asset in a similar economic environment. Accordingly, the Group elected to use the local borrowing rates for each operating unit at the commencement date. That is the rate at which local operating units would need to borrow to acquire the asset. For additional details relating to leases refer to note 27.

4.2 Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial year, are discussed below.

Goodwill impairment assessment

The Group annually tests whether goodwill has suffered any impairment. The recoverable amount of each cash generating unit (CGU) was determined based on a Fair Value Less Cost of Disposal calculation which was based upon cash flow projections from the five-year business plan prepared for each CGU. The terminal value was estimated based upon a perpetuity growth rate of 1.6%, reflecting an inflationary level of growth beyond the five-year plan. Post-tax discount rate of 12.2% was used to discount the projected cash flows.

Based on the impairment test carried out, goodwill is not considered to be impaired. No impairment would occur, if the post-tax discount rate applied to the cash flow projection of each CGU had been 1% higher than management estimates and all other assumptions remain unchanged. The Retail fuel and Commercial fuel segments would only result in an indication of impairment if the post-tax discount rates increased to 19.4% and 18.2% respectively.

Government related assets and liabilities

The Group has various assets from and liabilities to governments and authorities with respect to government benefits receivable as well as for taxes and duties. The Group constantly assesses underlying inherent risks and assumptions and as a consequence related accounting estimates are determined and adjustments are made to the carrying amounts of those assets and liabilities, where necessary. A key element in the assessment of uncertainty of recoverability of government benefit receivables is the credit risk associated with these governments, this is considered in note 16.

Tax positions

The Group operates across many tax jurisdictions and the interpretation and application of tax law can be complex and requires judgement to assess the risk and estimate the potential outcomes. These outcomes can vary significantly from what has been provided. The Group recognises many individually immaterial provisions with a cumulative amount totalling \$23m related to income tax and \$37m related to indirect and other tax matters recorded in other assets, other liabilities and provisions. These are recorded for the amount that is expected to be settled where this can be reasonably estimated. This reflects management's assessment of the expected value of such risks based on a multiple scenario outcome and likelihood. Factors considered include the status of recent current tax audits and enquiries; the results of previous claims; the transfer pricing policies of the Group and any changes to the relevant tax environments. The timing of the resolution of the risks is uncertain and may take many years, however is expected to be within the next five years.

5. SEGMENT REPORTING

The Group operates under three reportable segments: Retail, Commercial and Lubricants.

Retail segment – Retail fuel is aggregated with Non-fuel retail. Both the operating segments derive revenue from retail customers who visit our retail sites. Retail fuel and Non-fuel revenues are aggregated as the segments are managed as one unit and have similar customers. The economic indicators that have been addressed in determining that the aggregated segments have similar economic characteristics are that they have similar expected future financial performance and similar operating and competitive risks.

Commercial segment – Commercial fuel, LPG, Aviation and Marine are aggregated in the Commercial segment as the operating segments derive revenues from commercial customers. The segments have similar economic characteristics. The economic indicators that have been addressed are the long-term growth and average long-term gross margin percentage.

Lubricants segment – Retail, B2C, B2B and Export Lubricants are the remaining operating segments. Since these operating segments meet the majority of aggregation criteria, they are aggregated in the Lubricants segment.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. The Directors monitor the operating results of business units separately for the purpose of making decisions about resource allocation, segment performance assessment and interacting with segment managers.

The following tables present revenues and profit information regarding the Group's operating segments:

	2020			
US\$ million	Retail	Commercial	Lubricants	Consolidated
Revenue from external customers	4,436	2,116	366	6,918
Gross profit	387	156	74	617
Add back: depreciation and amortisation	51	25	4	80
Gross cash profit	438	181	78	697
Adjusted EBITDA ¹	216	92	52	360

¹ Refer to note 6 for the reconciliation to EBIT.

	2019			
US\$ million	Retail	Commercial	Lubricants	Consolidated
Revenue from external customers	5,249	2,678	375	8,302
Gross profit	411	192	72	675
Add back: depreciation and amortisation	43	22	3	68
Gross cash profit	454	214	75	743
Adjusted EBITDA ¹	242	135	54	431

¹ Refer to note 6 for the reconciliation to EBIT.

US\$ million	2020	2019
Share of profit of joint ventures and associates included in segment EBITDA		
Lubricants	8	12
Retail	4	5
Commercial	4	5
Total	16	22

The amount of revenues from external customers by location of the customers is shown in the table below.

US\$ million	2020	2019
Revenue from external customers by principle country		
Kenya	1,181	1,256
Morocco	1,075	1,476
Côte d'Ivoire	546	604
Other	4,116	4,966
Total	6,918	8,302

US\$ million	31 December 2020	31 December 2019
Non-current assets by principle country (excluding deferred tax)		
Morocco	245	208
The Netherlands	232	232
Kenya	153	143
Other	1,042	988
Total	1,672	1,571

6. RECONCILIATION OF NON-GAAP MEASURES

Non-GAAP measures are not defined by International Financial Reporting Standards (IFRS) and, therefore, may not be directly comparable with other companies' non-GAAP measures, including those in the Group's industry. Non-GAAP measures should be considered in addition to, and are not intended to be a substitute for, or superior to, IFRS measurements. The exclusion of certain items (special items) from non-GAAP performance measures does not imply that these items are necessarily non-recurring. From time to time, we may exclude additional items if we believe doing so would result in a more transparent and comparable disclosure.

The Directors believe that reporting non-GAAP financial measures in addition to IFRS measures, as well as the exclusion of special items, provides users with enhanced understanding of results and related trends and increases the transparency and clarity of the core results of operations. Non-GAAP measures are used by the Directors and management for performance analysis, planning, reporting and are used in determining senior management remuneration.

US\$ million	2020	2019
EBT	175	246
Finance expense – net	60	64
EBIT	235	310
Depreciation, amortisation and impairment	125	106
EBITDA	360	416
Adjustments to EBITDA related to special items:		
Hyperinflation ¹	2	–
IPO ² and Engen acquisition related expenses ³	1	11
Write-off of non-current asset ⁴	–	3
Restructuring ⁵	–	3
Management Equity Plan ⁶	(3)	(2)
Adjusted EBITDA	360	431

1 The impacts of accounting for hyperinflation for Vivo Energy Zimbabwe, in accordance with IAS 29, are treated as special items since they are not considered to represent the underlying operational performance of the Group and based on their significance in size and unusual nature are excluded as the local currency depreciation against the US dollar does not align to the published inflation rates during the period.

2 IPO related items in 2020 and 2019 concern the IPO share awards which are accrued for over the vesting period.

3 On 1 March 2019 Vivo Energy Investments B.V., a subsidiary of the Group, acquired 100% of the issued shares in Vivo Energy Overseas Holdings Limited (VEOHL) (formerly known as Engen International Holdings (Mauritius) Limited). The cost of the acquisition and related integration project expenses are treated as special items.

4 The Group recognised a write-off in 2019 related to a government benefits receivable as a result of a retrospective price structure change by the government to finance their outstanding debt. Such retrospective changes of existing price structures are considered non-recurring and are not representative of the core operational business activities and performance and are, therefore, treated as special items.

5 Restructuring costs were incurred in 2019 mainly as a result of the integration of VEOHL into our business model. The impact from these activities do not form part of the core operational business activities and performance and were, therefore, treated as a special item in 2019.

6 The Management Equity Plan vested at IPO in May 2018 and is exercisable on the first anniversary of admission for a period of 24 months. Changes in the fair value of the cash-settled share-based plan do not form part of the core operational business activities and performance and should, therefore, be treated as a special item. The costs of share-based payment schemes introduced after the IPO are not treated as special items.

US\$ million	2020	2019
Net income	90	150
Adjustments to net income related to special items:		
Hyperinflation ¹	2	–
IPO ² and Engen acquisition related expenses ³	1	11
Write-off of non-current asset ⁴	–	3
Restructuring ⁵	–	3
Management Equity Plan ⁶	(3)	(2)
Tax on special items	–	(3)
Adjusted net income	90	162

US\$ million	2020	2019
Diluted EPS	0.06	0.11
Impact of special items	–	0.01
Adjusted diluted EPS	0.06	0.12

1 The impacts of accounting for hyperinflation for Vivo Energy Zimbabwe, in accordance with IAS 29, are treated as special items since they are not considered to represent the underlying operational performance of the Group and based on their significance in size and unusual nature are excluded as the local currency depreciation against the US dollar does not align to the published inflation rates during the period.

2 IPO related items in 2020 and 2019 concern the IPO share awards which are accrued for over the vesting period.

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The Group defines Headline earnings as earnings based on net income attributable to owners of the Group, before items of a capital nature, net of income tax as required for companies listed on the Johannesburg Stock Exchange.

US\$ million, unless otherwise indicated	2020	2019
Headline earnings per share		
Net income attributable to owners	80	136
Re-measurements:		
Net gain on disposal of PP&E and intangible assets	(4)	–
Write-off of non-current asset ¹	–	3
Income tax on re-measurements	1	(1)
Headline earnings	77	138
Weighted average number of ordinary shares (million)	1,266	1,255
Headline EPS (US\$)	0.06	0.11
Diluted number of shares (million)	1,266	1,255
Diluted headline EPS (US\$)	0.06	0.11
Effective tax rate	49%	39%

1 The Group recognised a write-off in 2019 related to a government benefits receivable as a result of a retrospective price structure change by the government to finance their outstanding debt. Such retrospective changes of existing price structures resulted in the re-measurement of an asset and is therefore excluded.

7. GENERAL AND ADMINISTRATIVE COST

Employee benefits

US\$ million	2020	2019
Wages, salaries and other employee benefits	163	159
Restructuring, severance and other involuntary termination costs ¹	7	3
Retirement benefits	10	7
Share-based payment expense	–	(1)
	180	168

¹ Total restructuring costs amount to \$7m (2019: \$3m) of which some elements are reflected in other employee benefits categories.

Included in the employee benefit expense for the year ended 31 December 2020, was social security expense of \$1m (2019: \$1m) and other pension costs relating to employees employed in the UK.

Employee benefits have been charged in:

US\$ million	2020	2019
General and administrative cost	102	96
Selling and marketing cost	43	39
Cost of sales	35	33
	180	168

The monthly average number of full-time equivalent employees were as follows:

	2020	2019
Sales and distribution	1,904	1,845
Administration and support	794	755
	2,698	2,600

Depreciation and amortisation

Depreciation of property, plant and equipment, right-of-use assets and amortisation of intangible assets are separately disclosed in note 11, 12 and 27 respectively.

Audit fees

US \$'000	2020	2019
Parent company and consolidated financial statements	1,248	1,656
Subsidiaries ¹	1,175	1,383
Audit fees²	2,423	3,039
Audit-related fees ³	377	692
Tax advisory fees	–	5
Other assurance services ⁴	227	193
Other non-audit services	–	11
Other fees total	604	901
Total fees	3,027	3,940

¹ Audit fees for foreign entities are expressed at the average exchange rate for the year.

² Audit fees in 2019 comprise fees for the business combination in relation to the VEOHL acquisition and the SAP S/4HANA implementation.

³ Audit-related fees relate to interim financial statements reviews.

⁴ Other assurance services relate mainly to comfort letter procedures in respect to note issuance and volume certificates to support brand royalty expenses.

8. OTHER INCOME/(EXPENSE)

US\$ million	2020	2019
Net gain on disposals of PP&E and intangible assets	4	–
Gain on financial instruments	–	1
Other income	–	1
	4	2

9. FINANCE INCOME AND EXPENSE

US\$ million	2020	2019
Finance expense		
Interest on bank and other borrowings and on lease liabilities ¹	(39)	(35)
Interest on long-term debt including amortisation of set-up fees	(25)	(24)
Net impact of hyperinflation ²	(3)	(5)
Accretion expense net defined benefit liability	(2)	(2)
Foreign exchange loss	–	(1)
Other	(3)	(4)
	(72)	(71)
Finance income		
Interest from cash and cash equivalents	8	7
Foreign exchange gain	4	–
	12	7
Finance expense – net	(60)	(64)

1 Includes an amount of \$12m (2019: \$11m) finance expense for leases in respect to IFRS 16 'Leases'.

2 Represents the net monetary loss impact from the application of IAS 29 'Financial Reporting in Hyperinflationary Economies'.

10. INCOME TAXES

Current income taxes

Analysis of income tax expense:

US\$ million	2020	2019
Current tax		
Current income tax	(96)	(95)
Current income tax prior years	8	(2)
	(88)	(97)
Deferred tax		
Deferred income tax	6	1
Deferred income tax prior years	(3)	–
	3	1
Income tax expense	(85)	(96)

The reconciliation of income taxes, computed at the statutory tax rate, to income tax expense was as follows:

US\$ million	2020	2019
EBT	175	246
Statutory tax rate	19%	19%
Income tax expense at statutory tax rate	(33)	(47)
Increase/(decrease) resulting from:		
Impact of tax rates in foreign jurisdictions	(18)	(23)
Income not subject to tax	6	7
Expenses not tax deductible	(11)	(11)
Non-recognition of tax benefits in relation to current period tax losses or temporary differences	(10)	(5)
Recognition and utilisation of previously unrecognised tax losses or temporary differences ¹	3	6
Withholding tax	(19)	(19)
Other ²	(3)	(4)
Income tax expense	(85)	(96)
Effective tax rate	49%	39%

1 In 2019, \$1m was recognised after the business acquisition and was supported by developments in the acquired markets.

2 Amongst others, includes movements related to uncertain tax positions.

Deferred income taxes

The significant components of the Company's recognised deferred income tax assets and liabilities were as follows:

US\$ million	31 December 2020		31 December 2019	
	Asset	Liability	Asset	Liability
Property, plant and equipment	1	(43)	1	(31)
Intangible assets	–	(22)	–	(23)
Retirement benefits	10	(1)	9	(1)
Provisions	17	–	17	(2)
Withholding taxes	–	(16)	–	(15)
Tax losses carried forward ¹	13	–	12	–
Other	33	(18)	17	(16)
	74	(100)	56	(88)
Offsetting of balances	(28)	28	(22)	22
Total	46	(72)	34	(66)

1 \$4m of the recognised deferred tax asset for tax losses carried forward, is supported by expected future taxable profits (2019: \$8m).

The changes in the net deferred income tax assets and liabilities were as follows:

US\$ million	2020	2019
Balance at the beginning of year, net	(32)	(15)
In profit	3	1
In other comprehensive income	1	(1)
Business acquisition	–	(19)
Other	–	1
Foreign exchange differences	2	1
	(26)	(32)

Unrecognised deferred tax assets relate to carry forward losses of \$98m (2019: \$93m) and tax credit carry forwards of \$12m (2019: \$4m). Of the unrecognised carry forward losses \$1m will expire at the end of 2023, \$7m at the end of 2024, \$15m at the end of 2025 and \$75m at the end of 2026 or later.

The unrecognised taxable temporary differences associated with undistributed retained earnings of investments in subsidiaries, joint ventures and associates amounts to \$25m (2019: \$20m).

II. PROPERTY, PLANT AND EQUIPMENT

					2020
US\$ million	Land	Buildings	Machinery and other equipment	Construction in progress	Total
Cost at 1 January 2020	55	319	552	92	1,018
Additions	2	16	25	109	152
Disposals	(5)	(4)	(17)	(9)	(35)
Transfers	–	7	69	(76)	–
Foreign exchange differences ¹	–	1	13	–	14
Cost at 31 December 2020	52	339	642	116	1,149
Accumulated depreciation at 1 January 2020	–	(54)	(141)	–	(195)
Depreciation	–	(17)	(65)	–	(82)
Disposals	–	3	17	–	20
Foreign exchange differences ¹	–	–	(3)	–	(3)
Accumulated depreciation at 31 December 2020	–	(68)	(192)	–	(260)
Net carrying value at 31 December 2020	52	271	449	117	889

¹ Foreign exchange differences include the impact from the application of IAS 29 'Financial Reporting in Hyperinflationary Economies'.

					2019
US\$ million	Land	Buildings	Machinery and other equipment	Construction in progress	Total
Cost at 1 January 2019	33	229	453	68	783
Additions	–	6	25	93	124
Business acquisition ¹	22	71	61	9	163
Disposals	–	(4)	(29)	–	(33)
Transfers	1	24	53	(78)	–
Foreign exchange differences ²	(1)	(7)	(11)	–	(19)
Cost at 31 December 2019	55	319	552	92	1,018
Accumulated depreciation at 1 January 2019	–	(43)	(118)	–	(161)
Depreciation	–	(16)	(56)	–	(72)
Disposals	–	3	28	–	31
Foreign exchange differences ²	–	2	5	–	7
Accumulated depreciation at 31 December 2019	–	(54)	(141)	–	(195)
Net carrying value at 31 December 2019	55	265	411	92	823

¹ Includes PP&E recognised on acquisition of VEOHL of \$149m.

² Foreign exchange differences include the impact from the application of IAS 29 'Financial Reporting in Hyperinflationary Economies'.

No assets have been pledged as security. Depreciation charge of \$82m (2019: \$72m) is included in cost of sales for \$73m (2019: \$64m), in selling and marketing cost for \$1m (2019: \$1m) and in general and administrative cost for \$8m (2019: \$7m).

12. INTANGIBLE ASSETS

	2020				
US\$ million	Shell licence agreement	Goodwill	Computer software	Other	Total
Cost at 1 January 2020	139	81	75	57	352
Additions	–	–	16	–	16
Foreign exchange differences ¹	–	(2)	–	–	(2)
Cost at 31 December 2020	139	79	91	57	366
Accumulated amortisation at 1 January 2020	(82)	–	(19)	(25)	(126)
Amortisation	(5)	–	(9)	(4)	(18)
Accumulated amortisation at 31 December 2020	(87)	–	(28)	(29)	(144)
Net carrying value at 31 December 2020	52	79	63	28	222
1 Foreign exchange differences include the impact from the application of IAS 29 'Financial Reporting in Hyperinflationary Economies'.					
	2019				
US\$ million	Shell licence agreement	Goodwill	Computer software	Other	Total
Cost at 1 January 2019	143	21	51	32	247
Additions	–	–	25	–	25
Business acquisition	–	65	–	25	90
Foreign exchange differences ¹	(4)	(5)	(1)	–	(10)
Cost at 31 December 2019	139	81	75	57	352
Accumulated amortisation at 1 January 2019	(77)	–	(16)	(20)	(113)
Amortisation	(5)	–	(3)	(5)	(13)
Accumulated amortisation at 31 December 2019	(82)	–	(19)	(25)	(126)
Net carrying value at 31 December 2019	57	81	56	32	226

1 Foreign exchange differences include the impact from the application of IAS 29 'Financial Reporting in Hyperinflationary Economies'.

Amortisation charge of \$18m (2019: \$13m) is included in cost of sales for \$3m (2019: \$1m), selling and marketing cost for \$12m (2019: \$9m) and general and administrative cost for \$3m (2019: \$3m).

Impairment test for goodwill

The Group tests whether goodwill has suffered any impairment on an annual basis. The recoverable amount of the CGUs was determined based on Fair Value Less Cost of Disposal calculation which requires the use of assumptions. The calculations use cash flow projections based on an approved business plan covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated long-term growth rate shown below. The terminal value was calculated using the Gordon Growth formula.

Goodwill is monitored at the operating segment level on a non-aggregated basis. The Group has several non-aggregated operating segments, however, the goodwill is allocated to Retail fuel and Commercial fuel given that substantially all activities of the acquired businesses relate to these two operating segments. Both the goodwill acquired in the 2019 Engen acquisition and the goodwill acquired from previous acquisitions are allocated and considered for impairment testing together at the non-aggregated operating segments Retail fuel and Commercial fuel. For this purpose, a discounted cash flow analysis was used to compute the recoverable amount using the approved plan. This results in 81% of the carrying amount of goodwill being allocated to Retail fuel and 19% of the carrying amount being allocated to Commercial fuel.

The following tables sets out the key assumptions for those CGUs that have a significant goodwill allocated to them:

	2020	
	Retail fuel	Commercial fuel
Volume compounded annual growth rate	6.2%	4.8%
Gross cash profit compounded annual growth rate	5.8%	5.3%
Post-tax discount rate	12.2%	12.2%
Long-term growth rate	1.6%	1.6%

The methodology applied to each of the key assumptions used is as follows:

Assumptions	Approach used to determine values
Volume growth	Volume growth over the five-year forecast period; based on past performance and management expectations of market developments.
Gross cash profit growth	Based on past performance and management expectations of the future.
Post-tax discount rate	Based on specific risks relating to the industry and country. Factors considered for the industry include regulatory environment, market competition, and barriers to entry.
Long-term growth rate	Based on the IMF GDP projections for the markets where Vivo Energy operates. Sensitivity analysis was performed for changes in long-term growth rate by -1.5% and +2.0%.

The Group considers the post-tax discount rate to be the most sensitive assumption. No impairment would occur, if the post-tax discount rate applied to the cash flow projection of each CGU had been 1% higher than management estimates and all other assumptions in the table above are unchanged. Goodwill in relation to the Retail fuel and Commercial fuel CGU's would only result in an indication of impairment if the post-tax discount rates increased to 19.4% and 18.2%, respectively. There are no reasonable possible changes that could occur to key assumptions that would reduce the recoverable amount below the carrying amount.

13. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

The Group also has interests in a number of associates and joint ventures that are accounted for using the equity method. A comprehensive listing of the Group's joint ventures and associates can be found in note 15 of the Company financial statements.

US\$ million	2020	2019
At 1 January	227	223
Acquisition of businesses	14	5
Share of profit	16	22
Dividend received	(24)	(22)
Foreign exchange differences	(2)	(1)
At 31 December	231	227

In December 2017, the Group acquired a 50% interest in Shell and Vivo Lubricants B.V. (SVL) that is considered a material investment to the Group. SVL is the principal supplier of manufacturing, sales and distribution for lubricants products in Africa. The investment is a joint venture investment and measured using the equity method. SVL is jointly owned by Vivo Energy Investments B.V. (50%) and Shell Overseas Investments B.V. (50%).

The table below provides summarised financial information for the carrying amount of the investment in SVL.

US\$ million	2020	2019
At 1 January	164	163
Share of profit	8	12
Dividend received	(15)	(11)
Foreign exchange differences	(1)	–
At 31 December	156	164

The total assets of SVL as per 31 December 2020 are \$220m (2019: \$241m), of which \$139m (2019: \$156m) relate to current (including cash and cash equivalents of \$30m (2019: \$28m)) and \$81m (2019: \$85m) to non-current assets. The current liabilities are \$73m (2019: \$89m) (including borrowings of \$15m (2019: \$21m)) and non-current liabilities of \$11m (2019: \$6m). The revenue for the year ending 31 December 2020 was \$255m (2019: \$281m), and profit after income tax was \$18m (2019: \$21m). Other comprehensive income, net of tax, for the year amounted to \$1m (2019: loss of \$1m). The 2020 profit includes amortisation and depreciation of \$9m (2019: \$8m), net finance expense of \$1m (2019: \$1m) and income tax expense of \$13m (2019: \$9m).

The carrying value of SVL includes a notional goodwill of \$96m calculated as the difference between the cost of the investment and the investor's share of the fair values of the investee's identifiable assets and liabilities acquired. Since the notional goodwill is not shown as a separate asset, it is not required to be separately tested for impairment, nor does it trigger an annual impairment test.

There are no contingent liabilities relating to the Group's investments in joint ventures and associates.

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The Group has classified equity investments as financial instruments at FVTOCI (without recycling). These investments are measured using inputs for the asset or liability that are in absence of observable market data, based on net asset value of the related investments (level 3 in the IFRS 13 'Fair Value Measurement' hierarchy).

The value is based on the net asset value of the related investments and therefore no sensitivity analysis is presented.

US\$ million	2020	2019
At 1 January	9	8
Fair value adjustment	2	1
Foreign exchange differences	1	–
At 31 December	12	9

Financial assets at fair value through other comprehensive income relate to the Group's investment in Société de Gestion des Stocks Pétroliers de Côte d'Ivoire S.A. (GESTOCI) in which it holds an interest of circa 17%. The Group does not have significant influence or joint control in the investee. The investment is not held for trading and not a contingent consideration recognised by an acquirer in a business combination, therefore, at initial recognition the Group has elected to account for the investment at fair value through other comprehensive income.

No dividends were received from GESTOCI in 2020 and 2019. Financial assets at fair value through other comprehensive income are categorised as level 3 of the fair value hierarchy and are the only level 3 financial assets within the Group. There were no changes made during the year to valuation methods or the processes to determine classification and no transfers were made between the levels in the fair value hierarchy.

15. OTHER FINANCIAL ASSETS AND LIABILITIES

Other financial assets and liabilities are derivative instruments comprising forward foreign exchange contracts and cross-currency swaps with a fair value of \$(9)m (2019: \$(3)m). In 2020 the Group settled an interest rate swap on long-term borrowings and entered into a fixed-fixed cross-currency swap. Other financial assets and liabilities are categorised as level 2 of the fair value hierarchy. There have been no transfers between any levels during the year.

The specific valuation techniques used to value financial instruments that are carried at fair value using level 2 techniques are:

- The fair value of cross-currency swaps is calculated as the present value of the estimated future cash flows based on current market data provided by third party banks; and
- The fair value of forward foreign exchange contracts is calculated by comparison with current forward prices of contracts for comparable remaining terms.

16. OTHER ASSETS

US\$ million	31 December 2020	31 December 2019
Prepayments	86	99
Amounts due from dealers and joint ventures	60	33
VAT and duties receivable	59	61
Other government benefits receivable	45	92
Deposits	13	13
Indemnification asset on legal and tax claims	12	13
Employee loans	7	7
Other ¹	35	49
	317	367
Current	200	257
Non-current	117	110
	317	367

¹ The amount mainly comprises of other non-current receivables.

Other government benefits receivable

US\$ million	Credit rating	31 December 2020	31 December 2019
Senegal	Ba3	24	38
Morocco	BB+	10	22
Guinea	None available	3	7
Botswana	BBB+	1	3
Madagascar	None available	–	10
Other		7	12
		45	92

The Group is exposed to credit risk in relation to other government benefits receivables. Based on management's review on the recoverability of these receivables it believes the credit risk in relation to these balances is relatively low. Other government benefits receivable are partially provided for and presented net of provisions for impairment of \$24m (2019: \$18m). For the year \$103m (2019: \$133m) of other government benefits were recognised in cost of sales for compensation of costs incurred.

17. INVENTORIES

US\$ million	31 December 2020	31 December 2019
Fuel	401	436
Lubricants	77	79
Other	2	2
	480	517

Cost of sales as disclosed on the face of the consolidated statements of comprehensive income include the total expense for inventory during the year for \$5,976m (2019: \$7,379m). The carrying value of inventory represents the net realisable value. Provisions for write-downs of inventories to the net realisable value amounted to \$8m as per 31 December 2020 (2019: \$7m).

18. TRADE RECEIVABLES

Trade receivables were as follows, as at:

US\$ million	31 December 2020	31 December 2019
Trade receivables	410	506
Less: loss allowance of trade receivables	(66)	(55)
Trade receivables – net	344	451

The fair values of trade receivables approximate their carrying value as they are deemed short-term in their nature and recoverable within 12 months.

Movements in the loss allowance of trade receivables are as follows:

US\$ million	2020	2019
At 1 January	55	41
Additions ¹	14	22
Reversals	(6)	(4)
Utilisation	(1)	(2)
Foreign exchange differences	4	(2)
At 31 December	66	55

¹ Additions in 2019 include an amount of \$10m related to acquired assets of VEOHL.

19. CASH AND CASH EQUIVALENTS

US\$ million	31 December 2020	31 December 2019
Cash	479	348
Cash equivalents:		
Short-term placements	36	65
Money market funds and other cash equivalents	–	104
	515	517

20. SHARE CAPITAL AND RESERVES

Share capital consists of 1,266,941,899 ordinary shares at the nominal value of \$0.50 each. At 31 December 2020, 1,266,808,716 shares have been issued and fully paid and entitle the holder to participate in dividends and 133,183 treasury shares. The shares held by the trust are not considered as treasury shares for the purposes of Listing Rules disclosure. On a show of hands, every holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote, and upon a poll each share is entitled to one vote. Shareholders will, under general law, be entitled to participate in any surplus assets in a winding up of the Company in proportion to their shareholding.

Other reserves are disclosed in the consolidated statements of changes in equity.

	2020		2019	
	Number of shares	US\$ million	Number of shares	US\$ million
Ordinary shares				
At 1 January	1,266,073,050	633	1,201,798,866	601
Capital contribution/shares issued	–	–	63,203,653	31
Share issuance related to share awards/Directors' subscriptions	868,849	–	1,070,531	1
At 31 December	1,266,941,899	633	1,266,073,050	633

21. EARNINGS PER SHARE

Basic and diluted EPS were computed as follows:

US\$ million, unless otherwise indicated	2020	2019
Basic earnings per share		
Net income	90	150
Attributable to owners	80	136
Weighted average number of ordinary shares (million)	1,266	1,255
Basic earnings per share (US\$)	0.06	0.11
Diluted earnings per share		
Earnings attributable to owners	80	136
Diluted number of shares (million)	1,266	1,255
Diluted earnings per share (US\$)	0.06	0.11
Adjusted diluted earnings per share		
Diluted earnings per share	0.06	0.11
Impact of special items	–	0.01
Adjusted diluted earnings per share	0.06	0.12

22. DIVIDENDS

Given the impact of COVID-19 on the business in the first half of 2020, the Board withdrew its recommendation to pay a final dividend for 2019 and did not declare an interim dividend for the first half of 2020 in July. On 18 December 2020 the Company paid an interim dividend of 2.65 cents per share, which is the amount that would have been paid to shareholders had the final dividend of the year ended 31 December 2019 been paid rather than withdrawn. This interim dividend was paid out of distributable reserves and is reflected in the statement of changes in equity.

The Board has recommended a final dividend of circa 3.8 cents per share, amounting to \$48m, which is in respect of the full twelve months of 2020. Payment of this dividend is expected on 25 June 2021 to shareholders of record at close of business on 28 May 2021. The dividend will be paid out of distributable reserves as at 31 December 2020 and is not recognised in the statement of changes in equity.

US\$ million	2020	2019
Interim dividend	34	14
Final dividend	48	–
Total	82	14

23. BORROWINGS

US\$ million	Drawn on	Interest rate	Maturity	31 December 2020	31 December 2019
Notes ¹	24/09/2020	5.125%	24/09/2027	349	–
VEI BV Term Loan ²	09/06/2017	Libor + 2.50%/3.00%	09/06/2022	–	308
VEI BV Revolving Credit Facility ³	27/02/2019	Euribor + 1.50%/1.85%		59	63
Bank borrowings				274	229
				682	600
Current				270	306
Non-current				412	294
				682	600

1 The amounts are net of financing costs. Notes amount is \$350m; financing costs are \$1m.

2 The amounts are net of financing costs. Loan amount was \$310m in 2019; financing costs were \$2m in 2019.

3 The amount includes financing costs of circa \$1m (2019: \$1m).

Current borrowings consist of bank borrowings which carry interest rates between 1.5% and 18% per annum. Included in bank borrowings is an amount of \$50m (2019: \$17m) relating to trade financing.

The fair value of the notes is approximately \$374m based on quoted market prices at the end of the reporting period. The carrying amounts of other Group's non-current and current borrowings approximate the fair value.

The VEI BV Term Loan facility was entered into on 9 June 2017. Interest was paid quarterly at a rate of Libor +2.5% per annum. The incremental facility was drawn down on 18 December 2017 and carried an interest of Libor +2.5% for the amortised portion and Libor +3.0% for the bullet portion. The facility was refinanced in September 2020 when the Group issued \$350m notes with a coupon rate of 5.125% paid semi-annually and maturing in 7 years. The notes are fully redeemed at maturity.

In May 2018, the Company established a multi-currency revolving credit facility of \$300m. The multi-currency revolving credit facility was initially utilised, in February 2019, with a drawdown of \$64m, to fund the acquisition of VEOHL. Majority of the RCF facility matures in May 2023.

Besides the RCF, the Group has various unsecured short-term bank facilities extended to operating entities for working capital purposes. The undrawn, unsecured short-term bank facilities of \$1,323m include a large number of uncommitted facilities held with a number of different banks. Most of these facilities are subject to an annual renewal process.

The tables below provide an analysis of cash and non-cash movements in borrowings for the period:

US\$ million	2020		
	Long-term debt	Bank borrowings	Total
1 January	371	229	600
Proceeds from long-term debt ¹	517	–	517
Repayment of long-term debt ²	(492)	–	(492)
Proceeds/repayment of bank borrowings	–	26	26
Foreign exchange movements	7	8	15
Other ³	5	11	16
31 December	408	274	682

1 Mainly represents the issuance of fully redeemable notes to the amount of \$350m on 24 September 2020 and RCF drawdowns.

2 Includes repayments of the Term Loan and RCF.

3 Other includes financing costs and non-cash items.

US\$ million	2019		
	Long-term debt	Bank borrowings	Total
1 January	392	208	600
Proceeds from long-term debt	62	–	62
Repayment of long-term debt	(82)	–	(82)
Proceeds/repayment of bank borrowings	–	1	1
Borrowings acquired in acquisition of business ¹	–	27	27
Foreign exchange movements	(3)	(7)	(10)
Other ²	2	–	2
31 December	371	229	600

1 Represents the borrowings acquired through the acquisition of VEOHL as at 1 March 2019.

2 Other changes include financing costs.

Key covenants:

The key covenants below relate to the VEI BV Revolving Credit Facility:

- Within 150 calendar days after the Group's year-end its audited annual consolidated financial statements, unaudited annual non-consolidated financial statements and the unaudited annual Group accounts of each operating unit must be provided to the lender. Within 90 days after each half of each financial year, the unaudited non-consolidated financial statements, unaudited consolidated financial statements and unaudited Group accounts for each operating unit for the financial half-year must be provided to the lender.
- The financial covenants are minimum interest cover of 4x and maximum debt cover of 3x. With each set of financial statements, a financial covenants compliance certificate has to be provided indicating the debt and interest cover. The loan carries some customary negative pledges such as on asset sale, securities over assets, mergers and guarantees subject in each case to some exemptions and permitted baskets. It also has a change of control clause triggering repayment if an entity, other than permitted ones, takes control of the Company.

The below key covenants relate to the VEI BV Notes:

- The financial covenants are a minimum fixed charged cover of 2x. The Notes carry customary restrictive covenants such as on asset sale, securities over assets, mergers and guarantees subject in each case to some exemptions and permitted baskets, and a maintenance of listing covenant. It also has a change of control clause giving each noteholder a put right if an entity, other than permitted ones, takes control of the Company.

No key covenants were breached in the last applicable period.

24. PROVISIONS

Provisions include the following:

US\$ million	31 December 2020	31 December 2019
Provisions	85	85
Retirement benefit obligations (note 25)	35	31
	120	116
Current	16	14
Non-current	104	102
	120	116

	2020			
US\$ million	Compulsory stock obligation	Legal provision	Other	Total
At 1 January	21	12	52	85
Additions	–	2	11	13
Utilisation	–	(1)	(5)	(6)
Releases	(3)	(2)	(2)	(7)
Foreign exchange differences	2	(1)	(1)	–
At 31 December	20	10	55	85
Current	–	10	6	16
Non-current	20	–	49	69
	20	10	55	85

Compulsory stock obligation provision

The oil market regulator in Morocco introduced an industry mechanism to enable oil market operators to maintain the necessary compulsory stock volume requirement. This resulted in an oil fund liability, which is an amount payable to the Moroccan oil fund regulator in relation to the compulsory stock reserve requirement introduced in 1994.

Legal provision

This amount represents a provision of certain legal claims brought against the Group. The timing of any payout is uncertain as these claims are being disputed by the Group. The Group believes that the outcome of these claims will not give rise to a significant loss beyond the amounts provided against as at 31 December 2020.

Other

Other provisions include a number of costs to be paid out by the Group that have uncertainty in timing of cash values and total monetary value. Other provisions relate mainly to employee related provisions of \$10m (2019: \$8m) and provisions for uncertain tax positions for non-income taxes, interest and penalties of \$31m (2019: \$29m). Refer to note 4.2 for further details regarding uncertain tax positions.

25. RETIREMENT BENEFITS

The Group operates defined benefit plans in multiple African countries, which include Cape Verde, Gabon, Ghana, Guinea, Côte d'Ivoire, Mauritius, Morocco, Namibia, Reunion, Rwanda, Senegal and Tunisia. The plans operated in Cape Verde, Mauritius, Morocco, Tunisia and Ghana combined present approximately 80% of the total liability for the Company. The valuations are carried out in line with the regulatory requirements in each country considering the requirements under IAS 19, 'Employee Benefits'. The plans offered in these countries differ in nature and consist of medical plans, pension plans, retirement indemnities, jubilees and long service award plans. These plan benefits are linked to final salary and benefit payments are met as they fall due. The two exceptions to this are Gabon and Mauritius, which both operate a funded plan. The plan in Gabon has a funding level of approximately 90% and Mauritius approximately 68%. In Gabon plan assets are held in the form of insurance contracts. For Mauritius, plan assets are held in vehicles with standard investment risk, following a balanced investment strategy, split between equities, government bonds and asset-backed securities. The plan in Mauritius has been closed to future accrual; from 31 December 2014 onwards. However, the link to final salaries is being maintained for in-service employees.

US\$ million	2020	2019
Current service cost	1	1
Accretion expense	2	2
	3	3

US\$ million	2020	2019
Defined benefit plans	3	3
Defined contribution plans	9	6
Total retirement benefit costs	12	9

US\$ million	31 December 2020	31 December 2019
Consolidated statements of financial position obligations for:		
Pension benefits	31	26
Other post-employment benefits	4	5
Total liability	35	31

The amounts recognised in the consolidated statements of financial position are determined as follows:

US\$ million	31 December 2020	31 December 2019
Present value of funded obligations	(17)	(13)
Fair value of plan assets	12	11
Funded status of funded benefit obligations (net liability)	(5)	(2)
Present value of unfunded obligation	(26)	(24)
Unfunded status end of year (net liability)	(31)	(26)
Net defined benefit obligation	(31)	(26)

The movements in the defined benefit obligation for funded and unfunded post-employment defined benefits over the year are as follows:

US\$ million	2020			2019		
	Pension benefits	Other	Total	Pension benefits	Other	Total
At 1 January	37	5	42	37	4	41
Current service costs	1	–	1	1	–	1
Benefits paid	(4)	–	(4)	(3)	–	(3)
Interest costs	2	–	2	2	–	2
(Gains)/losses from change in financial assumptions	4	–	4	1	–	1
(Gains)/losses from change in demographic assumptions	1	–	1	–	–	–
Actuarial (gains)/losses	1	(1)	–	–	–	–
Retirement benefit obligations recognised on acquisition	–	–	–	–	2	2
Foreign exchange differences	1	–	1	(1)	(1)	(2)
At 31 December	43	4	47	37	5	42

The movements in the fair value of plan assets over the year are as follows:

US\$ million	2020		2019	
	Pension benefits	Total	Pension benefits	Total
At 1 January	11	11	12	12
Interest income	–	–	1	1
Employer contributions	3	3	2	2
Benefits paid	(2)	(2)	(3)	(3)
Foreign exchange differences	–	–	(1)	(1)
At 31 December	12	12	11	11

The plan assets shown above are invested in equities \$6m (2019: \$5m) government bonds \$4m (2019: \$3m), corporate bonds \$2m (2019: \$3m), insurance contracts \$0.4m (2019: Nil) and cash and cash equivalents \$0.03m (2019: \$0.1m).

The sensitivity of the defined benefit obligation to changes in weighted principal assumptions is:

	Assumptions used		Effect of using alternative assumptions	
	31 December 2020	31 December 2019	Range of assumptions	Increase/(decrease)
Rate of increase in pensionable remuneration	3.71%	4.34%	0.50% – (0.50%)	2.72% – (2.55%)
Rate of increase in pensions in payment	2.41%	2.26%	0.50% – (0.50%)	1.20% – (1.11%)
Rate of increase in healthcare costs	16.20%	9.72%	0.50% – (0.50%)	4.07% – (3.77%)
Discount rate for pension plans	4.38%	5.84%	0.50% – (0.50%)	(5.56)% – 5.99%
Discount rate for healthcare plans	21.13%	13.81%	0.50% – (0.50%)	(5.01)% – 5.50%
Expected age at death for persons aged 60:				
Men	79.86	79.74		
Women	83.61	83.65		

The principal actuarial assumptions were as follows:

	2020											
	Tunisia	Senegal	Cape Verde	Mauritius	Morocco	Côte d'Ivoire	Guinea	Namibia	Ghana	Gabon	Reunion	Rwanda
Discount rate	9.75%	8.00%	4.00%	2.75%	2.50%	6.00%	13.50%	15.60%	23.00%	5.50%	1.00%	11.25%
Inflation rate	4.50%	1.75%	2.00%	0.50%	2.00%	n/a	n/a	10.10%	12.00%	2.75%	1.80%	4.75%
Future salary increases	6.00%	3.00%	2.00%	0.50%	6.00%	3.00%	8.00%	n/a	n/a	3.00%	2.58%	7.50%
Future pension increases	n/a	n/a	1.00%	3.00%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

	2019									
	Tunisia	Senegal	Cape Verde	Mauritius	Morocco	Côte d'Ivoire	Guinea	Namibia	Ghana	
Discount rate	9.25%	10.00%	4.00%	5.25%	3.25%	6.00%	13.50%	11.30%	15.00%	
Inflation rate	4.50%	1.50%	2.00%	2.80%	n/a	n/a	n/a	7.40%	10.00%	
Future salary increases	6.00%	3.00%	2.00%	2.80%	6.00%	3.00%	10.00%	n/a	n/a	
Future pension increases	n/a	n/a	1.00%	3.00%	n/a	n/a	n/a	n/a	n/a	

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory.

The weighted average duration of the defined benefit obligation is 11.98 years.

Expected contributions to post-employment benefit plans for the year ending 31 December 2021 are \$2m.

26. OTHER LIABILITIES

US\$ million	31 December 2020	31 December 2019
Oil fund liabilities	110	96
Other tax payable ¹	75	91
Deposits owed to customers	72	63
Employee liabilities ²	44	51
Deferred income	14	11
Other	21	26
	336	338
Current	171	178
Non-current	165	160
	336	338

¹ Other tax payable mainly relates to VAT, withholding taxes and employee taxes.

² Employee liabilities mainly relate to employee bonuses.

27. LEASES

The Group has leases for motor vehicles, corporate offices, land, buildings and equipment. Leases have remaining lease terms of one year to 99 years, some of which may include options to extend the leases for at least five years and some of which may include options to terminate the leases within one year.

The consolidated statement of financial position shows the following amounts relating to leases:

US\$ million	Land and buildings	Motor vehicles	Total
Right-of-use assets, 1 January 2019	130	18	148
Depreciation of right-of-use assets	(17)	(4)	(21)
Leases effective in 2019	47	2	49
Right-of-use assets, 31 December 2019	160	16	176
Depreciation of right-of-use assets	(22)	(3)	(25)
Leases effective in 2020	43	7	50
Right-of-use assets, 31 December 2020	181	20	201

US\$ million	31 December 2020	31 December 2019
Current lease liabilities	24	21
Non-current lease liabilities	119	104
	143	125

The consolidated statement of comprehensive income shows the following amounts relating to leases:

US\$ million	2020	2019
Interest expense (included in finance cost)	(12)	(11)
Depreciation of right-of-use assets	(25)	(21)
Expenses relating to short-term leases, low-value leases and variable leases not included in the lease liabilities	(7)	(6)

Depreciation charge of \$25m (2019: \$21m) is included in: cost of sales for \$4m (2019: \$3m), in selling and marketing costs for \$18m (2019: \$16m) and in general and administrative costs \$3m (2019: \$2m).

The consolidated statement of cash flows shows the following amounts relating to leases:

US\$ million	2020	2019
Cash flows from financing activities		
Principal elements of lease payments	(31)	(27)
Interest paid	(10)	(9)
	(41)	(36)

Other information related to leases was as follows:

	2020	2019
Weighted average remaining lease term (years)	10	11
Weighted average discount rate	11%	12%

The Group recognised rental income of \$34m (2019: \$43m) as revenue in the statement of comprehensive income.

28. NET CHANGE IN OPERATING ASSETS AND LIABILITIES AND OTHER ADJUSTMENTS

US\$ million	2020	2019
Trade payables	(203)	105
Trade receivables	114	50
Inventories	40	(25)
Other liabilities	(17)	6
Other assets	39	6
Provisions	1	(5)
Other	74	39
	48	176

29. COMMITMENTS AND CONTINGENCIES

Commitments

The Group also has purchase obligations, under various agreements, made in the normal course of business. The purchase obligations are as follows, as at:

US\$ million	31 December 2020	31 December 2019
Purchase obligations	22	13

Contingent liabilities and legal proceedings

The Group may from time to time be involved in a number of legal proceedings. The Directors prepare a best estimate of its contingent liabilities that should be recognised or disclosed in respect of legal claims in the course of ordinary business. Furthermore, in many markets there is a high degree of complexity involved in the local tax and other regulatory regimes. The Group is required to exercise judgement in the assessment of any potential exposures in these areas.

As previously announced, the Group's subsidiary in Morocco received a report in January 2020 from the investigators in charge of the Conseil de la Concurrence's ('CdC') ongoing review of the competitive dynamics of the Moroccan fuel retailing industry. Vivo Energy Morocco has provided submissions to the CdC at their request. The report and these submissions were discussed at a private hearing of the CdC held on 21 and 22 July 2020 in Morocco. After the hearing, the Royal Cabinet intervened and formed an independent commission to review the CdC investigation. This followed the receipt of allegations regarding the CdC process and conduct. It is understood that the CdC was recommending a fine of 8% of annual Moroccan turnover against the industry before the formation of the independent commission. We await the outcome of that investigation. Management believes that Vivo Energy Morocco has at all times conducted its operations in accordance with applicable competition laws, rules and regulations.

In the ordinary course of business, the Group is subject to a number of contingencies arising from litigation and claims brought by governmental, including tax authorities, and private parties. The operations and earnings of the Group continues, from time to time, to be affected to varying degrees by political, legislative, fiscal and regulatory developments, including those relating to the protection of the environment and indigenous groups in the countries in which they operate. The industries in which the Group is engaged are also subject to physical risks of various types. There remains a high degree of uncertainty around these contingencies, as well as their potential effect on future operations, earnings, cash flows and the Group's financial condition.

The Group does not believe and is not currently aware of any other litigations, claims, legal proceedings or other contingent liabilities that should be disclosed.

30. SHARE-BASED PAYMENTS

The Group operates share-based payment plans for certain Executive Directors, Senior Managers and other senior employees.

Management Equity Plan

In 2013, Vivo Energy Holding B.V. awarded to eligible employees either (1) Management equity plan (MEP) phantom options which entitled option holders to a cash payment based on the value of Vivo Energy Holding shares upon exercise of their MEP phantom options or (2) the opportunity to acquire restricted shares in combination with a linked option right to acquire ordinary shares in Vivo Energy.

Under the terms of the phantom options, all outstanding phantom options would become fully exercisable upon the share admission in May 2018. The option holders subsequently agreed to amend the terms of their outstanding phantom options such that 30% of the outstanding phantom options were deemed to be exercised at share admission and 70% became exercisable on the first anniversary of the share admission being 4 May 2019, for a period of 24 months. Under the amended terms, the option holders' entitlement to the cash payment is based on the market value of the shares at the time of exercise net of a nominal exercise price per share.

The MEP related liability as at 31 December 2020 amounted to \$4m (2019: \$15m).

IPO Share Award Plan

In May 2018, Vivo Energy plc granted certain Executive Directors and Senior Managers one-off share awards ('IPO Share Awards') under the 2018 IPO Share Award Plan. The IPO Share Awards vest, subject to continued service and performance conditions relating to consolidated gross cash profit growth and adjusted net income growth being met, in three equal tranches on the first, second and third anniversary of admission.

Long-Term Incentive Plan

Vivo Energy plc adopted the Vivo Energy 2018 Long-Term Incentive Plan (the 'LTIP 2018') in May 2018, the Vivo Energy 2019 Long-Term Incentive Plan (the 'LTIP 2019') in March 2019 and the Vivo Energy 2020 Long-Term Incentive Plan (the 'LTIP 2020') in March 2020. The LTIP 2018, LTIP 2019 and LTIP 2020 provide for grants of awards over the shares of the Company in the form of share awards subject to continued employment and the performance conditions relating to earnings per share, return on average capital employed and total shareholder returns over a three-year period. Executive Directors and Senior Management of the Group are eligible for grants under the LTIP 2018, LTIP 2019 and LTIP 2020.

The table below shows the share-based payment expense/(income) recognised in the statements of comprehensive income:

US\$ million	2020	2019
Cash-settled share-based payments		
Management Equity Plan	(3)	(2)
Equity-settled share-based payments		
IPO Share Award Plan	1	–
Long-Term Incentive Plans 2018, 2019 & 2020	2	1
	–	(1)

Movements in the number of shares and share options outstanding, and their related weighted average exercise prices, are as follows:

In million	LTIP			IPO	Average exercise price per phantom option US\$	MEP
	LTIP 2018	LTIP 2019	LTIP 2020	IPO Share Awards		Phantom Options
Outstanding at 1 January 2020	3	5	–	2	0.05	7
Granted/Lapsed	–	(1)	5	–	–	–
Vested/Exercised	–	–	–	(1)	–	(4)
Outstanding at 31 December 2020	3	4	5	1	0.05	3
Exercisable at 31 December 2020	–	–	–	–	n/a	3
Outstanding at 1 January 2019	4	–	–	4	0.05	11
Granted/Lapsed	(1)	5	–	(1)	–	–
Vested/Exercised	–	–	–	(1)	–	(4)
Outstanding at 31 December 2019	3	5	–	2	0.05	7
Exercisable at 31 December 2019	–	–	–	–	n/a	7

The inputs of the valuation model for options granted during the year are as follows:

US\$	2020					2019			
	LTIP 2018	LTIP 2019	LTIP 2020	IPO Share Awards	MEP phantom options	LTIP 2018	LTIP 2019	IPO Share Awards	MEP phantom options
Share price at grant date	2.24	1.65	1.22	2.33	–	2.24	1.65	2.33	–
Share price at valuation date	–	–	–	–	1.16	–	–	–	1.67
Option exercise price	–	–	–	–	0.05	–	–	–	0.05
Expected dividends as a dividend yield (%)	0%	0%	0%	0%	0%	0%	0%	0%	0%

31. RELATED PARTIES

Sales and purchases

US\$ million	Joint ventures and associates	Shareholders	Total
2020			
Sales of products and services and other income	29	37	66
Purchase of products and services and other expenses	269	837	1,106
2019			
Sales of products and services and other income	15	130	145
Purchase of products and services and other expenses	284	1,312	1,596

The following table presents the Company's outstanding balances with related parties:

US\$ million	Joint ventures and associates	Shareholders	Total
31 December 2020			
Receivables from related parties	53	2	55
Payables to related parties	(51)	(160)	(211)
	2	(158)	(156)
31 December 2019			
Receivables from related parties	11	8	19
Payables to related parties	(58)	(339)	(397)
	(47)	(331)	(378)

The receivables from related parties arise from sale transactions and loans to joint ventures. Receivables are due two months after the date of sales, are unsecured in nature and bear no interest. Loans to joint ventures are interest bearing and secured by the entire issued share capital of the joint venture. No provisions are held against receivables from related parties.

The payables to related parties arise mainly from purchase transactions at arm's length, including a supplier agreement with Vitrol Supply, and are typically due two months after the date of purchase. These payables bear no interest.

32. EVENTS AFTER BALANCE SHEET PERIOD

There have been no material subsequent events after the reporting period, up to and including the date that the financial statements were authorised for issue, that would have required disclosure or adjustment of the Consolidated financial statements.