Viva Energy REIT Trust
Financial Report 2016

For the period ended 31 December 2016

Contents

Financial Report

These financial statements are for Viva Energy REIT Trust (the 'Trust') as an individual entity. The financial statements are presented in Australian Currency.

The responsible entity of the Trust is VER Limited, the 'Company' (ABN 43 609 868 000) (AFSL 483795), and the manager of the Trust is VER Manager Pty Limited (the 'Manager').

The registered office of the Responsible Entity, the Trust and VER Manager Pty Limited is:
Level 16, 720 Bourke Street
Docklands VIC 3008, Australia

Directors' Report

The Directors of VER Limited, the Responsible Entity of Viva Energy REIT Trust, present the report and financial statements of the Trust for the period ended 31 December 2016.

The Trust, through its 100% ownership of VER Trust, owns a portfolio of service station properties (the 'Portfolio') and receives rent under the leases.

The Trust was established on 14 June 2016. The Trust formed a stapled group (the 'Stapled Group') with Viva Energy REIT Limited on 3 August 2016 when Viva Energy REIT Limited and the Trust were stapled. The stapled securities commenced trading on the ASX on a deferred settlement basis on 10 August 2016. Each Stapled Security consists of one share in Viva Energy REIT Limited and one unit in the Trust.

The Trust and Viva Energy REIT Limited are separate entities for which the units have been stapled together to enable trading as one security. The units of the Trust and the shares of Viva Energy REIT Limited cannot be traded separately. Neither entity controls the other, however, for the purposes of financial reporting, Viva Energy REIT Limited has been defined as the parent entity.

For the results of the Stapled Group, refer to the Viva Energy REIT Group annual report for the period to 31 December 2016.

This financial report contains the results of the Trust from its establishment date to 31 December 2016 ("the Period" or "Period").

Directors

The following persons held office as directors of VER Limited during the period ended 31 December 2016 and up until the date of this report:

- Michael Bradburn (Viva Energy Australia Pty Limited representative, Non-Executive Director)

The following Directors were appointed on 10 July 2016, and continue in office at the date of this report:

- Laurence Brindle (Independent Non-Executive Chairman)
- Georgina Lynch (Independent Non-Executive Director)
- Stephen Newton (Independent Non-Executive Director)

The Company Secretary is Tony Tran. Mr Tran was appointed on 10 July 2016.

Daniel Ridgway (Viva Energy Australia Pty Limited) was appointed as a director on 14 June 2016, and resigned on 10 July 2016.

Lachlan Pfeiffer was appointed company secretary on 14 June 2016, and resigned on 10 July 2016.

Principal activities

The principal activity of the Trust is investment in service station property.

The Trust owns a portfolio of 425 service station properties acquired from Viva Energy Australia Pty Limited, one of Australia's market leading fuel suppliers, and located in all Australian states and territories. All of the properties in the portfolio are leased to Viva Energy Australia Pty Limited.

Directors' Report

Distributions to unitholders

No distributions to unit holders were declared or paid during the financial period ended 31 December 2016.

Subsequent to the end of the financial period, the Directors have declared the payment of a distribution from the Stapled Group for the period ended 31 December 2016 of $36,440,000, which was paid on 6 February 2017.

Operating and financial review

The Trust is part of the Viva Energy REIT Group, a stapled security. Investors should refer to the Operating and Financial Review prepared for Viva Energy REIT Group set out in the Financial Statements of the Viva Energy REIT Group lodged with the ASX on 23 February 2017. A separate Operating and Financial Review for the Trust has not been prepared as investors should consider the operations of the Stapled Group in its entirety.

Significant changes in the state of affairs

In the opinion of the Directors, other than the matters identified in this report, there were no significant changes in the state of affairs of the Trust that occurred during the financial period.

Matters subsequent to the end of the financial period

Subsequent to the end of the financial period, the Directors have declared the payment of a distribution from the Stapled Group for the period ended 31 December 2016 of $36,440,000 which was paid on 6 February 2017.

The Trust has contracted to purchase properties for an aggregate purchase price of $26.2 million before transaction costs. Settlement conditions of these contracts have been met and is settlement expected during the first half of the Trust's 2017 financial year.

No other matter or circumstance has arisen since 31 December 2016 that has significantly affected, or may significantly affect:

(i) the operations of the Trust in future financial years; or

(ii) the results of those operations in future financial years; or

(iii) the state of affairs of the Trust in future financial years.

Likely developments and expected results of operations

The Trust will continue to be managed in accordance with its existing investment objectives and guidelines.

The results of the Trust's operations will be affected by a number of factors, including the performance of investment markets in which the Trust invests. Investment performance is not guaranteed and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns.

Directors' Report

Material business risks

The Responsible Entity has adopted a Compliance Plan which sets out the key processes, systems and measures that the Responsible Entity will apply in operating the Trust. The Compliance Plan also comprises an extensive compliance management and reporting structure. The material business risks that could adversely affect the achievement of the Trust's financial prospects are as follows:

Tenant concentration risk, financial standing and sector concentration risk

As Viva Energy Australia Pty Limited is presently the sole tenant of the portfolio, 100% of the Trust's rental income is received from Viva Energy Australia Pty Limited. If Viva Energy Australia Pty Limited's financial standing materially deteriorates, Viva Energy Australia Pty Limited's ability to make rental payments to the Trust may be adversely impacted, which may have a materially adverse impact on the Trust's results of operation, financial position and ability to service and/or obtain financing.

Environmental risk

The Trust also depends on Viva Energy Australia Pty Limited to perform its obligations under the environmental indemnification arrangements. If Viva Energy Australia Pty Limited were to fail to meet its obligations under these arrangements (including due to its insolvency), the Trust may incur significant costs to rectify contamination on (and in respect of) its properties.

Information on Directors

The Directors of the Responsible Entity at the date of this report are:

Laurence Brindle – Independent Non-Executive Chairman

- Laurence has extensive experience in funds management, finance and investment and is currently independent non-executive chairman of National Storage REIT.
- Until 2009, Laurence was an executive with Queensland Investment Corporation ('QIC'). During his 21 years with QIC, he served in various senior positions including Head of Global Real Estate, where he was responsible for a portfolio of $9 billion. Laurence was also a long-term member of QIC's Investment Strategy Committee.
- Laurence provides advice to a number of investment institutions on real estate investment and funds management matters. He is a former chairman of the Shopping Centre Council of Australia and a former director of Westfield Retail Trust and Scentre Group.
- Laurence is a member of the Audit and Risk Management Committee of Viva Energy REIT.

Michael Bradburn – Non-Executive Director

- Michael is Chief Financial Officer ('CFO') of Viva Energy Australia.
- Michael joined Viva Energy Australia in January 2016 as CFO and has 20 years of experience in financial, commercial, planning and audit roles across a range of industry sectors. He was previously CFO of Brisbane Airport, with responsibility for commercial negotiations with major customers, financial and management reporting, debt capital markets, treasury, risk and taxation. Prior to Brisbane Airport, Michael had various senior financial and commercial roles at Asciano and Patrick. Michael is a Chartered Accountant, and holds a Master of Business Administration and a Bachelor of Business.
- Michael is a member of the Audit and Risk Management Committee of Viva Energy REIT.

Georgina Lynch - Independent Non-Executive Director

- Georgina has over 25 years' experience in the financial services and property industry and is currently a non-executive director of Cbus Property and a consultant to Stockland.
- Georgina has significant global experience in corporate transactions, capital raisings, initial public offerings ('IPOs'), funds management, corporate strategy and acquisitions and divestments, having previously worked as a solicitor early in her career and having held senior executive roles at AMP Capital Investors and Galileo Funds Management.
- Georgina holds a Bachelor of Arts and Bachelor of Laws.
- Georgina is a member of the Audit and Risk Management Committee of Viva Energy REIT.

Stephen Newton - Independent Non-Executive Director

- Stephen has extensive industry experience spanning in excess of 35 years across real estate investment and funds management, development and property management, as well as in infrastructure investment and management. Stephen has been a Principal of Arcadia Funds Management for more than 14 years. Prior to that, Stephen held various senior executive positions at Lend Lease over 22 years, including as CEO (Asia Pacific) of Lend Lease Real Estate Investments Limited and as a member of the senior executive group of Lend Lease Corporation Ltd.
- Stephen is currently a non-executive director of Stockland Property Group, Gateway Lifestyle Group, and BAI Communications Group (formerly Broadcast Australia Group), and a former non-executive director of Australand Property Group.
- Stephen is a member of both the Institute of Chartered Accountants in Australia and the Australian Institute of Company Directors. He holds a Bachelor of Arts (Economics and Accounting) degree from Macquarie University and a Masters of Commerce post graduate degree from the University of New South Wales.
- Stephen is a Chair of the Audit and Risk Management Committee of Viva Energy REIT.

The Trust's constitution does not require directors to retire and seek re-election.

Meetings of Directors

The number of meetings of the Responsible Entity's Board of Directors and of each board committee held during the period ended 31 December 2016, and the number of meetings attended by each Director were:

	VER Limited		Audit and Risk Management Committee ('ARMC')	
	A	B	A	B
Laurence Brindle (Chair Board)	9	9	1	1
Stephen Newton (Chair ARMC)	9	9	1	1
Georgina Lynch	9	9	1	1
Michael Bradburn	9	9	1	1
Daniel Ridgway (resigned 10 July 2016)	1	1	-	-

A – Number of meetings held during the Period
B – Number of meetings attended

Indemnification and insurance of officers and auditors

During the period, the Responsible Entity has paid insurance premiums to insure each of the directors, and officers of the Responsible Entity against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in their capacities as directors of the Trust, other than conduct involving a wilful breach of duty in relation to the Responsible Entity.

The contract of insurance prohibits disclosure of the nature of the liability covered and the amount of the premium.

The Responsible Entity has not during or since the end of the financial year indemnified or agreed to indemnify an auditor of the Responsible Entity or of any related body corporate against a liability incurred in their capacity as an auditor.

Directors' Report

Non-audit services

Details of audit and non-audit services provided to the Stapled Group by the Independent Auditor during the period ended 31 December 2016 are disclosed in note 6 of the financial statements.

Fees paid to and interests held in the Trust by the Responsible Entity or its associates

Fees paid to the Responsible Entity and its associates out of Trust property during the period are disclosed in note 13 to the financial statements.

Interest in the Trust

The movement in securities on issue in the Trust during the period is disclosed in note 11 to the financial statements.

Corporate governance statement

The Board of VER Limited, the Responsible Entity of the Trust, is responsible for the corporate governance of the Viva Energy REIT Group.

In compliance with ASX Listing Rule 4.10.3, Viva Energy REIT Group has published a statement disclosing the extent to which the Viva Energy REIT Group has followed the recommendations for good corporate governance set by the ASX Corporate Governance Council (3rd Edition) during the reporting period on its website, www.vivaenergyreit.com.au .

Environmental regulation

As landlord, the operations of the Trust are not subject to any particular or significant environmental regulations under a Commonwealth, State or Territory law. However, the operations of the tenant(s) of each property in the portfolio are subject to environmental regulation.

Rounding of amounts to the nearest thousand dollars

The Trust is an entity of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, relating to the 'rounding off' of amounts in the Directors' Report. Amounts in the Directors' Report have been rounded to the nearest thousand dollars in accordance with that Instrument, unless otherwise indicated.

Auditor's Independence Declaration

The Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 is set out on page 8.

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

Laurence Brindle

Chairman

23 February 2017

Auditor's Independence Declaration

As lead auditor for the audit of Viva Energy REIT Trust for the period ended 31 December 2016, I declare that to the best of my knowledge and belief, there have been:

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

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

This declaration is in respect of Viva Energy REIT Trust and the entities it controlled during the period.

Charles Christie
Partner
PricewaterhouseCoopers

Melbourne
23 February 2017

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

Financial Statements
Consolidated Statement of Comprehensive Income

	Notes	31 December 2016 $'000
Income		
Rental income from investment properties		49,191
Revenue from investment properties – straight-line lease adjustment		12,118
Finance income		328
Total income		**61,637**
Expenses		
Impact of straight-line lease adjustment on fair value of investment		12,118
Establishment costs	4	32,463
Management fee expenses		1,496
Board and other corporate costs		101
Finance costs	5	10,998
Total expenses		**57,176**
Net profit for the period		**4,461**
Other comprehensive income		-
Total comprehensive income for the period		**4,461**
Total comprehensive income for the period is attributable to:		
Unitholders of Viva Energy REIT Trust		**4,461**
Earnings per unit:		cents
Basic earnings per unit	7	0.65
Diluted earnings per unit	7	0.65

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

Consolidated Balance Sheet

	Notes	Consolidated 31 December 2016 $'000
Current assets		
Cash and cash equivalents	8	48,607
Other current assets		8,866
Total current assets		**57,473**
Non-current assets		
Investment properties	9	2,104,820
Total non-current assets		**2,104,820**
Total assets		**2,162,293**
Current liabilities		
Trade and other payables		1,896
Interest payable		10,998
Total current liabilities		**12,894**
Non-current liabilities		
Borrowings	10	730,880
Total non-current liabilities		**730,880**
Total liabilities		**743,774**
Net assets		**1,418,519**
Equity		
Contributed equity		1,414,058
Accumulated profit		4,461
Total equity		**1,418,519**

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

	Contributed Equity $'000	Accumulated profit $'000	Total Equity $'000
Balance at 14 June 2016	-	-	-
Profit/(loss) for the period	-	4,461	4,461
Other comprehensive income:	-	-	-
Total comprehensive income for the period	**-**	**4,461**	**4,461**
Transactions with owners in their capacity as owners:			
Equity raised via Initial Public Offer of the Stapled Group	907,565	-	907,565
Equity of the Stapled Group retained by Viva Energy Australia Pty Limited	533,192	-	533,192
Equity raising costs of the Stapled Group	(26,699)	-	(26,699)
Total transactions with owners in their capacity as owners	**1,414,058**	**-**	**1,414,058**
Balance at 31 December 2016	**1,414,058**	**4,461**	**1,418,519**

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

Consolidated Statement of Cash Flows

	Notes	31 December 2016 $'000
Cash flows from operating activities		
Rental income from investment properties (GST inclusive)		54,110
Payments to suppliers (GST inclusive)		(4,701)
Payments for establishment and initial listing costs		(2,055)
Payments for establishment and initial listing costs on behalf of related parties		(6,980)
Interest received		328
Net cash inflow from operating activities	15	**40,702**
Cash flows from investing activities		
Purchase of investment properties portfolio		(837,621)
Deposits paid for property acquisitions		(1,805)
Stamp duty on initial purchase of investment property portfolio		(30,408)
Net cash (outflow) from investing activities		**(869,834)**
Cash flows from financing activities		
Proceeds from the issue of securities		907,565
Payments for establishment and initial listing costs		(26,699)
Payments for loan establishment costs		(837)
Payments to related parties for equity retained by Viva Energy Australia Pty Limited		(2,290)
Net cash inflow from financing activities		**877,739**
Net increase in cash and cash equivalents		**48,607**
Cash and cash equivalents at the beginning of the financial period		-
Cash and cash equivalents at the end of the financial period	8	**48,607**
Non-cash financing and investing activities		
Equity retained by Viva Energy Australia Pty Limited (40% units retained, netted off against the purchase of investment properties)		533,192

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

Contents

Notes to the Financial Statements

Notes to the Consolidated Financial Statements

1. Corporate structure and general information

These financial statements cover Viva Energy REIT Trust (the 'Trust') as an individual entity. The Trust is a managed investment scheme registered and domiciled in Australia and forms part of the Viva Energy REIT Stapled Security.

The Responsible Entity of the Trust is VER Limited (the 'Responsible Entity').

The Trust, through its 100% ownership of VER Trust, owns a portfolio of service station properties and receives rent under the leases.

The Trust was established on 14 June 2016. Following an initial public offer of the stapled securities and a successful debt raising, the Trust formed a Stapled Group with Viva Energy REIT Limited on 3 August 2016 when Viva Energy REIT Limited and the Trust were stapled. The Stapled Securities commenced trading on the ASX on a deferred settlement basis on 10 August 2016. Each Stapled Security consists of one share in Viva Energy REIT Limited and one unit in the Trust.

These consolidated financial statements contain the results of the Trust from the establishment date of the Trust, 14 June 2016 to 31 December 2016. Viva Energy REIT Trust's financial year-end is 31 December.

The financial statements were authorised for issue by the Directors on 23 February 2017. The Directors have the power to amend and reissue the financial statements.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001. Viva Energy REIT Trust is a for-profit unit trust for the purpose of preparing the financial statements.

The financial report has been prepared on an accruals and historical cost basis except for investment properties which are measured at fair value. Cost is based on the fair value of consideration given in exchange for assets.

The consolidated financial statements of the Trust are prepared and presented in Australian Dollars (the presentation currency) and have been rounded off to the nearest thousand dollars, unless otherwise stated.

Compliance with International Financial Reporting Standards

The financial statements of the Trust also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Going concern

As at 31 December 2016, the Trust had a net working capital balance of $44.6 million.

After taking into account all available information, the directors of the Trust have concluded that there are reasonable grounds to believe:

- The Trust will be able to pay its debts as and when they fall due; and
- The basis of preparation of the financial report on a going concern basis is appropriate.

(b) Segment reporting

Segment reporting is not applicable to the Trust since it has only invested in service station properties within Australia.

(c) Revenue

Rental income

Rental income from operating leases is recognised as income on a straight-line basis over the lease term. Where a lease has a fixed annual increase, the total rent receivable over the operating lease is recognised as revenue on a straight-line basis over the lease term. This results in more income being recognised early in the lease term and less late in the lease term compared to the lease conditions. The difference between the lease income recognised and the actual lease payment received is shown within the fair value of the investment property on the consolidated balance sheet.

Interest income

Interest income is recognised as it accrues using the effective interest rate (EIR) method. Interest income is included in finance income in the consolidated statement of comprehensive income.

All income is stated net of goods and services tax ('GST').

(d) Expenses

All expenses are recognised in the consolidated statement of comprehensive income on an accruals basis.

(e) Management fees

The Trust pays a share of the costs of Viva Energy REIT Limited, which includes a share of the management fees paid to the Manager who manages Viva Energy REIT's operations.

(f) Employee benefits

The Trust has no employees.

Management services are provided by Viva Energy Australia Pty Limited to Viva Energy REIT. The employees of Viva Energy Australia Pty Limited who are seconded to provide management services are employees of and paid directly by Viva Energy Australia Pty Limited, but they work exclusively for Viva Energy REIT. Incentives paid by Viva Energy Australia Pty Limited to staff seconded to VER Manager Pty Limited to provide these management services are based entirely on the performance of Viva Energy REIT.

(g) Borrowings

Borrowings are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method. Under the effective interest rate method, any transaction fees, costs, discounts and premiums directly related to borrowings are recognised in the consolidated statement of comprehensive income over the expected life of the borrowings. Borrowings are removed from the consolidated balance sheet when the obligation specified in the contract is discharged, cancelled or expired.

Borrowings with maturities greater than 12 months after reporting date are classified as non-current liabilities.

(h) Finance costs

Finance costs include interest expense on unsecured, floating debt financing arrangements, interest on interest rate swaps and amortisation of upfront borrowing costs incurred in connection with the arrangement of such borrowings.

(i) Income tax

The Trust is treated as a 'flow-through' entity for Australian income tax purposes such that the net income of the Trust is taxable in the hands of unit holders.

The Trust is not subject to Australian income tax provided that its taxable income is fully distributed to unit holders.

Upon lodgement of its first income tax returns, the Trust will elect to be treated as an Attribution Managed Investment Trust for Australian tax purposes. Under current Australian income tax legislation, the Trust is not liable for Australian income tax, on the basis that the unit holders are generally liable for tax on the net income of the Trust on an attribution basis. Accordingly, no allowance for income tax has been made for the period ended 31 December 2016.

(j) Goods and Services Tax ('GST')

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of the GST incurred is not recoverable from the relevant taxation authority. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables in the consolidated balance sheet are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the Australian Taxation Office ('ATO') is included with other receivables and payables in the consolidated balance sheet.

The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(k) Distributions

The Trust distributes net operating profit, being net income adjusted for amounts determined by the Trust. Provision is made for any distribution amount declared but not distributed, being appropriately disclosed and no longer at the discretion of the entity, on or before the end of the reporting date. The distributions are recognised within the consolidated balance sheet and consolidated statement of changes in equity as reduction in accumulated profit/(loss).

(l) Earnings per unit ('EPU')

(i) Basic earnings per unit

Basic earnings per unit is calculated by dividing:

- the profit attributable to the unit holders, excluding any costs of servicing equity other than ordinary securities;
- by the weighted average number of ordinary securities outstanding during the financial period.

(ii) Diluted earnings per unit

Diluted earnings per unit adjusts the figures used in the determination of basic earnings per unit to take into account:

- the effect of interest and other financial costs associated with dilutive potential ordinary units; and,
- the weighted average number of additional ordinary units that would have been outstanding assuming the conversion of all dilutive potential ordinary units.

(m) Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, and other short term, highly liquid investments with original maturities of three months or less from the date of acquisition that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(n) Receivables

Trade and sundry debtors are initially recorded at fair value and subsequently accounted for at amortised cost. Collectability of trade debtors is reviewed regularly and bad debts are written off when identified. A specific provision for doubtful debts is made when there is objective evidence that the Trust will not be able to collect the amounts due according to the original terms of the receivable. The amount of the impairment loss is the difference between the asset's carrying amount and the present value of estimated future cash flows.

(o) Investment properties

The Trust carries its investment properties at fair value with changes in the fair values recognised in the consolidated statement of comprehensive income. The fair value of investment property is determined based on real estate valuation experts using recognised valuation techniques and the principles of IFRS 13 Fair Value Measurement.

The fair value of the properties is reviewed by the Board at each reporting date. The Directors' assessment of fair value is periodically assessed by engaging an independent valuer to assess the fair value of individual properties at least once every three consecutive years with at least one-third of the properties within the portfolio being independently valued on an annual rolling basis commencing on 31 December 2017. Valuations may occur more frequently if there is reason to believe that the fair value of a property has materially changed from its carrying value (e.g. as a result of changes in market conditions, leasing activity in relation to the property or capital expenditure).

Valuations are derived from a number of factors that may include a direct comparison between the subject property and a range of comparable sales, the present value of net future cash flow projections based on reliable estimates of future cash flows, existing lease contracts, external evidence such as current market rents for similar properties, and using capitalisation rates and discount rates that reflect current market assessments of the uncertainty in the amount and timing of cash flows.

(p) Provisions

A provision is recognised when the Trust has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at the present value of the Trust's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

(q) Use of estimates

The Trust makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Investment properties

All of the Trust's service station properties are treated as investment properties for the purpose of financial reporting. Under Australian Accounting Standards, investment property buildings and improvements are not depreciated over time. Instead, investment properties are initially valued at cost, including transaction costs, and then at the end of each accounting period the carrying values are then restated at their fair value at the time. For the initial portfolio acquisition, the transaction costs have been expensed. Gains and losses arising from changes in the fair values of service station investment properties are recognised as a non-cash gain or loss in the statement of comprehensive income in the accounting period in which they arise. As a result of this accounting policy, changes in the fair value of Viva Energy REIT's service station properties may have a significant impact on its reported profit or loss in any given period.

At each reporting period, the Board assesses the carrying value of the Trust's service station investment properties, and where the carrying value differs materially from the assessed fair value an adjustment is made to the carrying value of such service stations.

(r) Contributed equity

Ordinary units are classified as equity. Incremental costs directly attributable to the issue of new units are shown in equity as a deduction, net of tax, from the proceeds.

3. Changes in accounting policies and disclosures

This section is not applicable for the Trust given that there is no comparative financial information because it is the first year of operations of the Trust.

(i) New and amended standards adopted by the Trust

There were no new accounting standards adopted during the period which had a significant impact on the reported performance of the Trust or required disclosures within the financial statements.

(ii) New accounting standards and interpretations

Certain new accounting standards have been published that are not mandatory for 31 December 2016 reporting periods, but may be applicable to the Trust in future reporting periods. The Trust's assessment of the impact of these new standards is set out below.

i. AASB 9: Financial Instruments (and subsequent amendments)

The revised standard addresses the classification, measurement and derecognition of financial assets and financial liabilities. All financial assets and liabilities are to be recognised at fair value with the exception of debt instruments with basic loan features that are managed on a contracted yield basis. As the Trust currently classifies its investments at fair value through profit or loss, the Trust does not expect this to have a material impact. The derecognition rules have been transferred from AASB 139 and have not been changed.

AASB 9 also introduces the expected credit losses model which is based on the concept of providing for expected impairment losses at inception of a contract. As the impairment requirements of AASB 9 do not apply to the financial assets at fair value through profit or loss, no significant impact is expected for the Trust's investments.

The Trust will be required to evaluate trade receivables for expected lifetime losses, if their credit risk has increased significantly since initial recognition, which is presumed to be the case for receivables that are more than 30 days past due. As of 31 December 2016, the Trust does not have any outstanding receivables and hence, the Trust does not expect a significant impact on the financial statements. The application date of AASB 9 is 1 January 2018.

ii. AASB 15: Revenue from contracts with customers

AASB 15 Revenue from Contracts with Customers was issued in May 2015 and is effective for reporting periods beginning on or after 1 January 2018. It is expected that the Trust will adopt AASB 15 on 1 January 2018.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.

AASB 15 will require the Trust to identify deliverables in contracts with customers that qualify as 'performance obligations'. The transaction price receivable from customers must be allocated between the Trust's performance obligations under the contracts on a relative stand-alone selling price basis. The standard will also require additional disclosures for disaggregation of revenue, information about performance obligations, remaining performance obligations, costs to obtain or fulfil contracts and other qualitative disclosures.

The Trust is in the process of assessing the full impact of the application of AASB 15. The financial impact on the financial statements has not yet been fully quantified.

iii. AASB 16: Leases

AASB 16 Leases was issued in February 2016 and is effective for reporting periods beginning on or after 1 January 2019. It is expected that the Trust will adopt AASB 16 on 1 January 2019.

The standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months with the exception of low value assets. Lessors continue to classify leases as operating or finance, with AASB 16’s approach to lessor accounting substantially unchanged from AASB 117.

The Trust's preliminary analysis of leases indicates that, as a lessor, the adoption of this standard is not expected to have any significant impact on the Trust.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

4. Establishment costs

The Trust incurred $59.2 million of advisory, legal fees, listing costs and stamp duty directly related to the creation of the Trust, the purchase of the property portfolio and the listing of the Stapled Group on the ASX and are one-off in nature.

	Expensed $‘000	Reduction from share capital $‘000	Total $‘000
Advisory, legal fees and listing costs	2,055	26,699	28,754
Stamp duty	30,408	-	30,408
Total	**32,463**	**26,699**	**59,162**

Stamp duty on future property acquisitions is considered to be part of the cost of purchase of that property, and will be capitalised upon acquisition.

5. Finance costs

	Consolidated 31 December 2016 $’000
Finance costs:	
Interest paid or payable	10,998
Total finance costs	**10,998**

Represents interest expense payable to VER Finco Pty Limited, a related party.

6. Remuneration of auditors

	Consolidated 31 December 2016 $
PricewaterhouseCoopers Australia	
Audit and other assurance services	
Audit and review of financial statements of the Trust	15,000
Total remuneration for audit and other assurance services	**15,000**
Taxation services	
Consulting services on taxation and stamp duty for the Stapled Group	20,426
Total remuneration of taxation services	**20,426**
Total remuneration of auditors	**35,426**

7. Earnings per unit ('EPU')

	2016 Cents
Basic EPU in the Trust	0.65
Diluted EPU in the Trust	0.65

The following information reflects the income and unit numbers used in the calculations of basic and diluted EPU.

	Number of units '000
Weighted average number of ordinary units used in calculating basic EPU	690,152
Adjusted weighted average number of ordinary units used in calculating diluted EPU	690,152

8. Cash and cash equivalents

	Consolidated 31 December 2016 $'000
Cash at bank	48,607
Total cash and cash equivalents	**48,607**

9. Investment properties

(a) Valuations and carrying amounts

	Carrying Amount 2016 $'000	Fair Value 2016 $'000
Service station properties	2,104,820	2,104,820
Total	**2,104,820**	**2,104,820**

On 7 July 2016 independent valuations were performed over the 425 properties comprising the portfolio of service stations.

The key inputs into valuations are:

- Passing rent
- Market rents (425 properties)
- Capitalisation rates
- Lease terms

(i) Key assumptions – 425 properties

	31 December 2016
Weighted average capitalisation rate	5.9%
Weighted average passing yield	5.9%

No independent valuations have been carried out since 7 July 2016.

The Directors obtained an independent market report and used the data from this report to assist them in reaching their conclusion that there had been no material change in the carrying value of the Trust's investment properties between 7 July 2016 and 31 December 2016.

Investment properties have been classified as Level 3 in the fair value hierarchy.

There have been no transfers between the levels in the fair value hierarchy during the period.

(b) Movements during the financial period

	Consolidated 31 December 2016 $'000
At fair value	
Opening balance	-
Initial acquisition of properties	2,104,820
Disposals	-
Closing balance	**2,104,820**

(c) Amounts recognised in profit or loss for investment properties

	Consolidated 31 December 2016 $'000
Rental income	49,191
Other rental income (recognised on a straight- line basis)	12,118
Impact of straight-line lease adjustment on fair value of investment properties	(12,118)

(d) Leasing arrangements

Investment properties are leased to Viva Energy Australia Pty Limited under long-term operating leases with rentals payable monthly. Minimum lease payments receivable on leases of investment properties are as follows:

	Consolidated 31 December 2016 $'000
Minimum lease receivable under non-cancellable operating leases of investment properties not recognised in the financial statements are receivable as follows:	
Within one year	125,121
Later than one year but not later than five years	569,163
Later than five years	1,653,380

10. Borrowings

	Consolidated 31 December 2016 $'000
Non-current:	
Due to related parties	730,880
Total unsecured non-current borrowings	**730,880**

Amounts due to related parties reflect loan funds for the purchase of the initial property portfolio.

Under the Syndicated Facility Agreement of Viva Energy REIT Limited, debt comprises a $736.7 million term loan facility split evenly over two tranches (Facility A below) with three and five year maturity terms respectively; and a $100.0 million revolving credit facility (Facility B below) with a three year maturity, calculated from the drawdown of Facility A. These facilities are extended to the Trust via an Intercompany Loan Agreement dated 10 July 2016, which applied the same commercial terms as the Syndicated Facility Agreement.

Debt facility overview

	Facility A1	Facility A2	Facility B
Term	3 years from 10 August 2016	5 years from 10 August 2016	3 years from 10 August 2016
Facility amount	$368.3 million	$368.3 million	$100.0 million
Amount drawn	$368.3 million	$368.3 million	Nil
Undrawn amount	Nil	Nil	$100.0 million
Interest margin	1.6%	1.8%	1.6%
Interest rate basis	Quoted bank bill swap rate for the relevant term.		

The weighted average tenure of the committed facilities as at 31 December 2016 is 3.6 years, prior to any drawdown of Facility B.

The interest rate applying to the drawn amount of the facilities is set on a six monthly basis at the prevailing market interest rate at the commencement of the period (bank bill swap rate), plus the applicable margin.

The interest margin applied to these borrowings will increase should the gearing ratio exceed 35% (increase of 0.15%) and 40% (increase of 0.15%), and if the credit rating of the tenants falls to below investment grade (increase of 0.30%).

The undrawn amount of the bank facilities may be drawn at any time. The covenants over the syndicated facility agreement are assessed against the Trust and Viva Energy REIT Limited (the 'Group'), and require an interest cover ratio not to be less than 2.0 times (actual at 31 December 2016 of 4.3 times) and a gearing not more than 50% (actual at 31 December 2016 of 34.4%). The Group was in compliance with its covenants throughout the period.

11. Contributed equity

(a) Units

	Number of Units '000	Consolidated 31 December 2016 $'000
Ordinary nits		
Fully Paid	690,152	1,414,058

(b) Movement in ordinary units

Date	Details	No. of Units '000	$'000
14 June 2016	Opening balance	-	-
8 August 2016	Equity raised via Initial Public Offer for the Stapled Group	414,091	907,565
8 August 2016	Equity of the Stapled Group retained by Viva Energy Australia Pty Limited	276,061	533,192
8 August 2016	Equity raising costs for the Stapled Group	-	(26,699)
31 December 2016	**Closing balance**	**690,152**	**1,414,058**

(c) Capital management

The objectives of the Stapled Group are to generate attractive and predictable income distributions to investors with growth over the medium to long term.

The Trust aims to invest to meet the Trust's investment objectives while maintaining sufficient liquidity to meet its commitments. The Trust regularly reviews performance, including asset allocation strategies, investment and operational management strategies, investment opportunities, performance review, and risk management.

In order to maintain an appropriate capital structure the Trust may adjust the amount of distributions paid to unit holders, return capital to unit holders, issue new securities, sell or buy assets or reduce or raise debt.

The Trust monitors capital through the analysis of a number of financial ratios, including the gearing ratio.

(d) Gearing ratio

	31 December 2016 $'000
Total liabilities	743,774
Total assets	2,162,293
Gearing ratio	34.4%

12. Accumulated profit

	31 December 2016 $'000
Movements in accumulated profit were as follows:	
Opening accumulated profit	-
Net profit for the period attributable to unit holders	4,461
Closing accumulated profit	**4,461**

Distributions to unit holders

No distributions to unit holders were declared or paid during the financial period.

13. Related party disclosures

Stapled Group

The Stapled Group was created when the Shares in Viva Energy REIT Limited and the Units in the Trust were are stapled on 3 August 2016 in accordance with the Constitutions of the Company, the Trust and the Stapling Deed. Each Stapled Security consists of one share in the Company and one unit in the Trust.

The Trust indirectly owns the Portfolio through its 100% ownership of VER Trust, the owner of the Portfolio, and receives rent under the Leases.

In accordance with the stapled group structure, funding is provided by Viva Energy REIT Limited, and these funds were used to purchase the initial portfolio of service station properties. The Trust pays interest on this debt at commercial rates, equivalent to the rate paid by Viva Energy REIT Limited under the Syndicated Facility Agreement.

The Trust also pays a fee to Viva Energy REIT Limited for corporate and administrative services. This is based on an agreed fee per month and is on a cost-recovery basis.

Responsible Entity

The Responsible Entity is VER Limited. The Responsible Entity or its related parties are entitled to receive fees in accordance with the Trust's constitution, from the Trust and its controlled entities.

	31 December 2016 $'000
The following transactions occurred with related parties:	
Reimbursement of initial transaction costs paid to Viva Energy Australia Pty Limited	4,535
Loan extended from Viva Energy REIT Limited for initial property portfolio purchase	730,880
Amounts receivable:	
Receivable from Viva Energy REIT Limited at the end of the period	6,980
Amounts payable:	
Corporate and administrative services to Viva Energy REIT Limited at the end of the period	1,496
Interest payable to Viva Energy REIT Limited at the end of the period	10,998

Amounts receivable from related parties include advisory and legal expenses, listing fees and stamp duty paid to third parties on behalf of Viva Energy REIT Limited directly related to the creation of the Stapled Group, the purchase of the property portfolio and the listing of the Stapled Group.

14. Financial risk management and fair value measurement

The Trust's investing activities expose it to various types of risk that are associated with the financial instruments and markets in which it invests. The most important types of financial risk which the Trust is exposed to are market risk, cash flow and fair value interest rate risk, credit risk and liquidity risk. The exposure to each of these risks, as well as the Trust's policies and processes for managing these risks are described below.

(a) Market risk

Market risk embodies the potential for both loss and gains and includes interest rate risk and price risk.

(b) Cash flow and fair value interest rate risk

The Trust's cash and cash equivalents and floating rate borrowings expose it to a risk of change in the fair value or future cash flows due to changes in interest rates. The specific interest rate exposures are disclosed in the relevant notes to the financial statements.

The Trust exposure to interest rate risk at reporting date, including its sensitivity to changes in market interest rates that were reasonably possible, is as follows:

	Consolidated 31 December 2016 $'000
Financial assets	
Cash and cash equivalents (floating interest rate)	48,607
Due to related parties	(730,880)
Net exposure	**(682,273)**

Sensitivity of profit or loss to movements in market interest rates for financial instruments with cash flow risk:

	Consolidated 2016 $'000
Market interest rate increased by 100 basis points	(6,820)
Market interest rate decreased by 100 basis points	6,820

The interest rate range for sensitivity purposes has been determined using the assumption that interest rates changed by +/- 100 basis points from year end rates with all other variables held constant. In determining the impact of an increase/decrease in equity to unit holders arising from market risk, the Trust has considered prior period and expected future movements of the portfolio information in order to determine a reasonably possible shift in assumptions.

(c) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss.

The Trust's maximum credit risk exposure at balance date in relation to each class of recognised financial asset, other than equity, is the carrying amount of those assets as indicated in the consolidated balance sheet. This does not represent the maximum risk exposure that could arise in the future as a result of changes in values, but best represents the current maximum exposure at reporting date.

	Consolidated 2016 $'000
Cash at bank	48,607

Maximum exposure to credit risk

The Trust manages credit risk and the losses which could arise from default by ensuring that parties to contractual arrangements are of an appropriate credit rating, or do not show a history of defaults. Financial assets such as cash at bank and interest rate swaps are held with high credit quality financial institutions.

All receivables are monitored by the Trust. If any amounts owing are overdue these are followed up, and if necessary, allowances are made for debts that are doubtful.

At the end of the reporting period there are no issues with the credit quality of financial assets that are either past due or impaired, and all amounts are expected to be received in full.

(d) Liquidity risk

Liquidity risk is the risk that the Trust may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Trust monitors its exposure to liquidity risk by ensuring that as required there is sufficient cash on hand or debt facility funding available to meet the contractual obligations of financial liabilities as they fall due. The Trust sets budgets to monitor cash flows.

The table below analyses the Trust's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period. The amounts in the table are the contractual undiscounted cash flows.

Consolidated	Less than 12 months $'000	1-2 years $'000	Greater than 2 years $'000
31 December 2016			
Trade and other payables	1,896	-	-
Interest payable	10,998	-	-
Interest bearing liabilities	-	-	730,880
Contractual cash flows	**12,894**	**-**	**730,880**

(e) Fair value estimation

The carrying amounts of the Trust's assets and liabilities at the end of each reporting period approximate their fair values.

Financial assets and liabilities held at fair value through profit or loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately. Subsequent to initial recognition, all instruments held at fair value through profit or loss are measured at fair value with changes in their fair value recognised in profit or loss.

(f) Fair value hierarchy

(i) Classification of financial assets and financial liabilities

AASB 13 requires disclosure of fair value measurements by level of fair value hierarchy. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgement by the Directors. The Directors consider observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The following table presents the Trust's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy at 31 December 2016 on a recurring basis:

Consolidated	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
31 December 2016				
Financial assets				
Investment properties	-	-	2,104,820	2,104,820
Total	**-**	**-**	**2,104,820**	**2,104,820**

The Trust's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. There were no transfers between levels during the period.

The Trust did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 31 December 2016.

(ii) Valuation techniques used to derive level 2 and level 3 values

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

(g) AFSL – compliance risk

The Trust is exposed to the risk of having inadequate capital and liquidity.

VER Limited, a subsidiary of Viva Energy REIT, holds an Australian Financial Services Licence ('AFSL') and acts as a responsible entity for the Trust's managed investment schemes. The AFSL requires minimum levels of net tangible assets, liquid assets, cash reserves and liquidity, which may restrict the Trust in paying dividends that would breach these requirements.

The Directors regularly review and monitor the Trust's balance sheet to ensure Viva Energy REIT's compliance with its AFSL requirements.

(h) Investment risk

(i) Tenant concentration risk, financial standing and sector concentration risk

Viva Energy REIT's only tenant on its lease portfolio is Viva Energy Australia Pty Limited ('Viva Energy Australia'). Therefore, Viva Energy REIT's revenue depends entirely on its sole tenant towards meeting its financial obligations to pay rent under the leases. If Viva Energy Australia fails to pay rent on time and/or becomes insolvent, bankrupt etc., Viva Energy REIT's financial condition and the share price of its Stapled Securities would be materially affected. It would be likely to also affect the going concern of the Trust.

Termination of Viva Energy Australia's right to use Shell branding could adversely affect Viva Energy Australia's ability to meet its rental obligations and therefore the value of the Portfolio and Viva Energy REIT's ability to service and/or obtain financing.

Furthermore, a decline in the profitability of Viva Energy Australia's business could affect the perceived stability of the rental income of Viva Energy REIT and may affect Viva Energy REIT's ability to obtain financing on acceptable terms, and lead to lower market rents when renewal options are exercised and a decline in the values of Viva Energy REIT's properties.

The Trust is also exposed to sector concentration risk given that all assets of the Viva Energy REIT are invested in property leased to a tenant that solely operates within the oil and gas sector.

(ii) Excessive reliance on the Manager and its personnel

Viva Energy REIT (the 'Group') is managed by VER Manager (the 'Manager'), which is a subsidiary of Viva Energy Australia.

Viva Energy REIT does not have direct employees and consequently is reliant on the expertise and experience of the key executives of Viva Energy Australia Pty Limited made available to the Manager who provides the services to Viva Energy REIT under the Management Agreement. As a consequence, loss of such key personnel could potentially have an adverse impact on the management and the financial performance of Viva Energy REIT and in turn may affect the returns to security holders.

15. Reconciliation of profit to net cash inflow from operating activities

	31 December 2016 $'000
Profit for the period	4,461
Impact of straight-line lease adjustment on fair value of investment	(12,118)
Straight-line adjusting on rental income	12,118
Stamp duty on initial purchase of investment properties	30,408
Changes in operating assets and liabilities:	
Decrease/(increase) in other current assets	(7,061)
(Decrease)/increase in trade and other payables	1,896
(Decrease)/increase in interest payable	10,998
Net cash inflow from operating activities	**40,702**

16. Contingent assets and liabilities and commitments

At 31 December 2016, the Trust has entered into contracts for the purchase of investment properties totalling in aggregate $26.2 million. Deposits paid under these contracts total $1.8 million. These contracts are expected to be settled in the first half of 2017.

Other than that noted above, there are no material outstanding contingent assets, liabilities or commitments as at 31 December 2016.

17. Events occurring after the reporting period

Subsequent to the end of the financial period, the Directors have declared the payment of a distribution from the Stapled Group for the period ended 31 December 2016 of $36,440,000 which was paid on 6 February 2017.

The Trust has contracted to purchase properties for an aggregate purchase price of $26.2 million before transaction costs. Settlement conditions of these contracts have been met and settlement is expected during the first half of the Group's 2017 financial year.

Other than that noted above, no significant events have occurred since the end of the reporting period which would impact on the financial position of the Trust disclosed in the consolidated balance sheet as at 31 December 2016 or on the results and cash flows of the Trust for the period ended on that date.

Directors' Declaration

In the opinion of the Directors of the Responsible Entity:

i. the financial statements and notes set out on pages 9 to 28 are in accordance with the *Corporations Act 2001*, including:

1. complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and

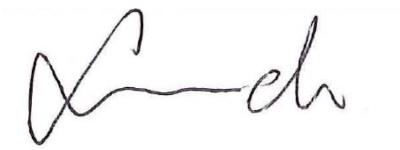
2. giving a true and fair view of the Trust's financial position as at 31 December 2016 and of its performance for the financial period ended on that date, and

ii. there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable, and

iii. note 2(a) confirms that the financial statements comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Managing Director and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

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



Laurence Brindle

Chairman

23 February 2017

Independent auditor's report

To the unitholders of Viva Energy REIT Trust

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Viva Energy REIT Trust (the Trust) and its controlled entities (together, Viva Energy REIT Trust or the Group) is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the Group's financial position as at 31 December 2016 and of its financial performance for the period of 14 June 2016 to 31 December 2016

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The financial report comprises:

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

Basis for opinion

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

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

Independence

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

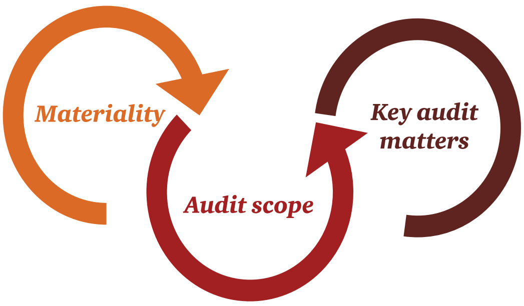
PricewaterhouseCoopers, ABN 52 780 433 757
2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331 MELBOURNE VIC 3001
T: +61 3 8603 1000, F: +61 3 8603 1999, www.pwc.com.au

Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.

Viva Energy REIT Trust owns 425 service station properties located across all Australian States and Territories. All of the properties in the portfolio are leased to Viva Energy Australia Pty Limited, a unitholder. Viva Energy REIT Trust formed a stapled group with Viva Energy REIT Limited (the stapled group) on 3 August 2016 when Viva Energy REIT Limited and the Trust were stapled.



Materiality

- For the purpose of our audit we used overall group materiality of $4.6 million, which represents approximately 0.33% of the Group's net assets.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We chose net assets as the benchmark because, in our view, it is;
  - a metric against which the performance of the Group is commonly measured; and
  - a key driver of the business and determinant of the Group's value.
- We selected 0.33% based on our professional judgment, reducing the commonly accepted net asset related benchmark of 1% of net assets to 0.33% because it was not a full year under audit.

Audit scope

- Our audit focused on where the directors of VER Limited, the responsible entity, made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- The Group's accounting processes and controls are performed at its Melbourne office, where we predominately performed our audit procedures.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. We communicated the key audit matters to the Audit and Risk Management Committee. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

Key audit matter	How our audit addressed the key audit matter

Valuation of investment properties

(Refer to note 9 in the financial report)

The Group's investment property portfolio consists of 425 service station properties located across Australia. At 31 December 2016 the carrying value of the Group's total investment property portfolio was $2,105 million.

Investment properties are carried at fair value. The Group's valuation policy is disclosed in note 2 of the financial report. Factors such as prevailing market conditions, the individual nature, condition and location of each property and the expected future income for each property impact fair values. The following key inputs used in estimating fair value are derived from the long term leases with Viva Energy Australia Pty Limited:

- Rental income
- Lease terms

The key judgemental assumption in estimating fair value is:

- Passing yield

External valuations were obtained by the Group for all properties in connection with acquisition of the portfolio from Viva Energy Australia Pty Limited on 7 July 2016, to assist the Group in estimating the fair value. As at 31 December 2016, the Group obtained an external market report ("Market Report") evaluating any changes in passing yield rates since the time of acquisition. Assisted by this report, the Group concluded that there had been no material change in the fair value of the investment properties at 31 December 2016 compared to previous external valuations.

This was a key audit matter because of the:

- Relative size of the investment property balance in the consolidated balance sheet
- Quantum of revaluation gains that could directly impact the consolidated statement of comprehensive income through the net fair value gain/loss of investment properties
- Inherently subjective nature of investment property valuations due to the use of assumptions in the valuations
- Sensitivity of valuations to key inputs/ assumptions.

Fair value at acquisition (7 July 2016)

For the external valuations we:

- Assessed the competency and capabilities of the external valuer.
- Read the valuer's terms of engagement - we did not identify any terms that might affect their objectivity or impose limitations on their work relevant to the valuation.
- Inspected the final valuation reports and agreed the fair value to the Group's accounting records, noting no material differences.

For a sample of investment property leases, we compared the rental income and lease terms used in the external valuations to the tenancy schedule and lease agreement, with no material differences noted.

We compared passing yield assumptions for a sample of properties in the external valuations, to a range we determined to be reasonable based on benchmark market data. Where the passing yield fell outside of our anticipated range, we challenged the rationale supporting the rate applied in the valuation by discussing with management and obtaining support for the adopted metric. Typically, the variances related to specific location, tenant and lease term of the property. In the context of the specific properties identified, we considered the reasons for variances to be appropriate.

Fair value at period end

We obtained the 31 December 2016 Market Report undertaken by an external valuer. For the Market Report we:

- Assessed the competency and capabilities of the valuer.
- Read the valuer's terms of engagement - we did not identify any terms that might affect their objectivity or impose limitations on their work relevant to the valuation.
- Assessed the Market Report based on our industry knowledge.

We also checked that there were no changes to the Group's lease agreements since acquisition that might impact fair value by reviewing significant agreements.

Key audit matter	How our audit addressed the key audit matter
Equity and debt raising *(Refer to notes 4, 10 and 11 in the financial report)* The Group's acquisition of the portfolio of service stations properties for $2,105 million was funded by the proceeds from the issue of securities of the stapled group and borrowings. *(a) Proceeds from the issue of securities of the stapled group* Upon allotment, the stapled group raised $911.0 million through the issue of 414.1 million Stapled Securities. A further $535.5 million of proceeds were raised from the issue of 276.1 million Stapled Securities to Viva Energy Australia Pty Limited. Total proceeds of $1,441 million were allocated to the Trust from this issue. The issue of 276.1 million Stapled Securities to Viva Energy Australia Pty Limited was settled net against the acquisition of investment properties as disclosed as a non-cash transaction in the consolidated statement of cash flows. We considered the accounting for the security issue to be a key audit matter because the issue was a significant transaction impacting the consolidated balance sheet and the consolidated statement of changes in equity. *(b) Debt facility* During the period, the stapled group entered into a Syndicated Facility Agreement to partially fund the acquisition of the investment properties. The proceeds from the debt facility were advanced to the Trust via an intercompany loan. As at 31 December 2016, the Group had non-current borrowings of $730.9 million under the intercompany loan. An overview of the debt facilities is disclosed in note 10. We considered the debt facility accounting a key audit matter given it was a significant transaction impacting the consolidated balance sheet. *(c) Establishment costs* The Group incurred $59.2 million of advisory, legal, listing fees and stamp duty related to the establishment of the Group, the acquisition of the property portfolio and the ASX listing of the stapled group (establishment transactions). The Group applied judgement in determining which aspect of the underlying transactions the costs totalling $59.2 million relate to, which determines if they are required under Australian Accounting Standards to be capitalised in the consolidated balance sheet or expensed in the consolidated statement of comprehensive income. We considered the accounting treatment of establishment costs a key audit matter given the relative size of the balances and the judgement involved in determining the accounting treatment.	*(a) Proceeds from the issue of securities* We read the Prospectus and ASX announcement in relation to the issue of Stapled Securities. We then agreed the allocation to the Trust to the accounting records of the transaction. We also agreed the cash received for the issue of securities for the Trust to the supporting bank statement. *(b) Debt Facility* We read the Intercompany Loan and the Syndicated Facility Agreements dated 10 July 2016 to understand the key terms of the facilities. We obtained confirmations directly from stapled group's financiers to confirm all borrowings, including amount drawn, available facilities and maturity date as at 31 December 2016. *(c) Establishment costs* We reconciled a sample of establishment costs to the respective engagement letters and/or invoice and bank statement. We compared the services provided per the documentation obtained to the Group's judgement on what the cost related to, noting no material exceptions.

Other information

The directors of VER Limited, the Responsible Entity of the Trust, are responsible for the other information. The other information comprises the Directors' Report and the Corporate Directory included in the Group's annual report for the period ended 31 December 2016 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

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

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

Responsibilities of the directors of the Responsible Entity of the Trust for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by directors of VER Limited, the Responsible Entity of the Trust.

- Conclude on the appropriateness of the directors of VER Limited's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group's to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors of VER Limited, the Responsible Entity of the Trust, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors of VER Limited, the Responsible Entity with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors of VER Limited, the Responsible Entity of the Trust, we determine those matters that were of most significance in the audit of the financial report for the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PricewaterhouseCoopers

Charles Christie
Partner

Melbourne
23 February 2017

Corporate Directory

Viva Energy REIT Limited
ACN 612 986 517

Viva Energy REIT Trust
ARSN 613 146 464

VER Limited
ABN 43 609 868 000 AFSL 483795

Registered Office

Level 16, 720 Bourke Street
Docklands VIC 3008, Australia

Website: www.vivaenergyreit.com.au

Directors

Laurence Brindle
Michael Bradburn
Georgina Lynch
Stephen Newton

Company Secretary

Tony Tran

Auditor

PricewaterhouseCoopers
2 Riverside Quay
Southbank VIC 3006

Share Registry

Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235, Australia
Telephone: 1300 554 474

Investor inquiries and correspondence

VER Manager Pty Limited

Telephone:	+61 3 8823 4863
Website:	www.vivaenergyreit.com.au
Email:	samantha.rist@vivanergy.com.au

Stock exchange listing

Viva Energy REIT Stapled Securities are listed on the Australian Securities Exchange ('ASX') with the code VVR.